

CHAPTER 8

WORKING POTENTIAL OF THE ELDERS IN SERBIA AND PROPOSAL OF REACTIVATION MODELS

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Abstract: *The case studies of this paper are representative demographic indicators, as well as the parameters of labour markets structure, that address the issue of population aging. A special part of the analysis refers to the study of specific determinants in the segment of the elderly population (pensioners), in order to create a clearer picture of their possible socio-economic potential. The average age of the population of Serbia in the past five decades has increased by over ten years – which is an alarming fact that points out the issue of aging of the population of Serbia as the primary long-term problem. Consequentially, this actualizes the idea of assessing the working potential of the elderly population and the possibility of their activation, where the targeted group of pensioners age from 51 to 65 years. Therefore, the goal of this paper is to advise on the reactivation of the oldest population, based on the analysis of demographic indicators and anticipation of market trends, and thus contrive their economic potential in the labour market in Serbia.*

Key words: *Active aging, pensioners, reactivation*

Introduction

Population aging process is one of the most important achievements and the "victory" of humanity. On the other hand, the aging of the nation was imposed as one of the greatest challenges of modern times. The demographic transition at the global level, will greatly affect the economic and social processes of countries around the world. Increasing age of the population can be considered a great danger and hindrance to development, or may represent a moment to create new op-

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portunities and options for social progress, all depending on the problem solving approach. A serious and timely approach to this important cause will create room for strengthening intergenerational cohesion factor that is essential for sustainable economic growth, because the older members of society are valuable, often overlooked and under-used resource. Therefore the decision makers must seriously consider elderly population in order to create conditions for economic growth.

Like the vast majority of European countries, Serbia is faced with the problem of aging of the nation. As a result of this trend, experts predict big problems in respect to maintenance of existing pension systems across Europe and drastic reduction of the income of the oldest in future years (Zubović, Domazet, 2010). A similar scenario is expected in Serbia. The European Central Bank calculated that in 19 EU countries, the scope of state obligations with regard to funding of pension funds is about five times greater than their combined gross debt. As a consequence of this trend, the governments of many European countries have begun to reduce the volume of financing the social sphere, but any serious reform could give the result only in a very long run, because they now come to collect accounts made in the last few decades, when consumed well above options. In this regard, the budget of Serbia for 2012 anticipates that the state grants 250 billion on the Pension Fund subsidy, to enable the regular payment of pensions. This will be the biggest budget transfer since the fund exists. By comparison, developed countries are allocating from 0.5 to 4.5 per cent of the budget for pension funds, and surrounding from 3 to 24.7%. In Serbia, the Pension Fund grants in 2011 totalled a record 49.31%. It is the largest grant made by the State Pension Fund, while, by comparison, in 2000 that the transfer was about 20% of the total funds needed. According to experts, to make the pension system to function normally, Serbia should have three and a half employees per one pensioner, and today this rate is only 1.15.

The issue of aging is very complex and requires the adoption of measures that should affect various segments. Hence, this paper deals with the analysis of the experiences of other countries in terms of the active aging policy, focusing on the national program conducted in Finland, which served as the basis of the development strategy in many European countries. In addition, an important aspect of this analysis applies to the reform of pension systems across the European Union, so we have tried to briefly define general trends of these reforms. Furthermore, we have been analysing the indicators of the age structure and labour market in Serbia, with projections showing anticipated trends for the next four decades. As the reactivation of older members of Serbian society is in the focus, we have conducted the necessary assessment of their working potential, based on the analysis of their education and occupation. The last part concerns the identification of

the ways for the economic reactivation of the older population on the basis of two models proposed by the authors.

The Concept of Active Aging

If we want the adulthood to be a positive experience, ripe age must provide an opportunity for leading a healthy life, full participation in society and achieving the necessary level of social security. Active aging is just the optimization of living conditions of elderly people, which will lead to achieving a better quality of life during the aging process (World Health Organization, 2002, p.12).

The concept of active aging applies to each individual, and to the age group as a whole. Term „active“, in this case, refers not only to physical activity, but also to the continued participation in social, economic and cultural life (Wheelock, Baines, 2008). People who have retired may remain active contributors to the welfare of not only their families, peers, community, but the state as a whole. It is a great responsibility on policy makers to propose and implement solutions that will encourage people to remain active and thus contribute to the development of the nation, bearing in mind the problem of significant demographic transition in the form of the general population aging (Kinsella, Phillips, 2005). The concept of active aging promotes the idea of extending the years of service and postpones the retirement. Another dimension of active aging refers to the inclusion of elderly population in the process of volunteering, as well as providing the conditions for keeping a healthy and independent life. A comprehensive national policy should therefore, according to the European Commission (European Commission, 2011, p. 204):

- Establish financial and legal impediments to discourage early retirement;
- Stimulate the acquisition of new knowledge and skills in order to avoid the incompetence of the old;
- Set conditions to suit the needs of the oldest employees;
- Have a preventive effect in order to preserve the health of the oldest and provide the necessary care.

Essential for the implementation of the concept of active aging is the existence of effective social dialogue between all interested structures within the country, as well the exchange of information and experience internationally. The effects of determination and implementation of measures aimed at active aging and creating conditions for sustainable and inclusive growth, de-

pend on the reforms of the five areas of public life, which must be implemented in the future, creating conditions for population active aging. These areas are (Zaidi, 2008, p.9): Pensions system; Health care; Employment policy; Migration and inclusion policy; Infrastructural development.

Reforming the pension system is a complex task. The challenge is to create a system that will be financially sustainable, and that will still provide adequate income to retirement beneficiaries, as the country could have faced a growing number of poor. In addition, such a system would require a high degree of intergenerational solidarity, created because of equality between different generations. If we promise unrealistically high retiring allowance to current generation of employees, we are accepting the risk that future generation will pay the account of such "generosity" (Stanic, 2010).

Second important aspect is the analysis of the healthcare system, and it refers to preventive action and education, adopting awareness of lifestyle that will result in improvement of health of older people and enhancement of their functionality in a later age.

As regards employment policy, the most significant long-term impact of population aging is the reduction of the workforce – the number of people aged between 15 and 64 (Zubović, 2011). This means not just the downsizing of the workforce, but of the entire nation. The best way to alleviate the demographic transition is to get people to work longer and to remove restrictions that will prevent this. It is necessary to revise the policy of the females in order to exploit their full potential, enabling them to achieve the smooth and successful career and maternity. Employers often have the perception that with the increase in the number of worker's years, their labour costs rise faster than productivity. For this reason, employers themselves often encourage their older workers to early retirement (Stojilkovic, 2010, p.75-91).

The nations that are facing the problem of aging will be forced to "import" labor from other countries. Here we find yet another challenge, that is, how to integrate foreign workers into our own workforce, as well as the entire society (Zubović, 2010). Spain is a good example of successful integration of migrants into the existing structure of its workforce. At first glance, migration between European countries can be understood to be an effective way to overcome the problem of aging of European society and the labour shortage, however, as the aging phenomenon affecting almost all European countries, young workers who are leaving their countries lead to overflow problems and its rapid effect, precisely in the countries that they are leaving from.

The Finland Example of National Program for Older Employees

The necessity for creating such a program arose due to the rapid growth of unemployment of people between 55 and 64 years of age. The original measures of early retirement system have shown positive short-term effects, but in the long term consequences were potentially highly dangerous. During the mid-nineties, a consensus that the human capital is a key source of sustainable development, and that the experience is the most valuable state property, on which a long-term growth strategy is to be based, was created amongst the decision-makers. Therefore, a program called the Finnish National Program for Ageing Workers (FNPAW), whose implementation was anticipated between 1998 and 2002, was created. The national program has identified the main problems to be solved (The National Programme for Ageing Workers, Finland, 2000):

- Early retirement of aging workers and a system that encouraged early retirement;
- The low employment rate of aging workers;
- Poor chances for re-employment of older persons;
- The reduction of working capacity of aging workers;
- Low education of aging workers;
- Insufficient information of the society in respect to phenomenon of aging and the position of aging workers;
- Prejudice and discrimination against older people.

The main objectives of the program were to encourage the employment of people aged over 45, and to reduce early retirement through the introduction of practical learning and networking of health, education and working life. The target group included people over 45 years and all those who were directly or indirectly affecting their employment status, such as: employees, managers, organizations involved in the labour market; staff in employment services, lecturers, and employees in healthcare organizations.

The strategy was implemented through three main instruments:

1. Research and development: implementation of a wide range of research projects within the national strategy, and based on derived results the program activities were developed;
2. Education and training;
3. Providing information.

Measures within implementation of strategies were related to: a) improvement of working conditions, b) promoting reemployment and c) the devel-

opment of pension and social care systems in order to encourage employment. The complexity of the program required involvement of many institutions in the implementation process, namely: Ministry of Social Affairs and Health; Ministry of Labour; Ministry of Education; Ministry of Finance; Ministry of Trade and Industry; Organizations within the labour market; Association of Local and Regional Authorities; Social Security Institutions; Pension funds.

The program was funded from the state budget, and for its implementation about 4.2 million euro was allocated. Money is distributed to those institutions responsible for its implementation. Although the primary responsibility was borne by the Ministry of Social Affairs and Health, the implementation was actually designed as a mutual cooperation and shared responsibility with two other ministries, the Ministry of Labour and the Ministry of Education. Ministry of Social Affairs and Health was responsible for projects in the field of health and development of working performance, while the Ministry of Labour was responsible for issues related to employment, and the Ministry of Education to implement the concept of lifelong learning. The national program also consisted of supervisory body, composed of representatives of three ministries, along with representatives from the Ministry of Finance, Ministry of Trade and Industry, organizations engaged in the labour market, and other institutions involved.

The Government, in accordance with the organizations involved in the labour market, has brought the appropriate measures that were primarily aimed at encouraging of aging workers to continue working rather than retire early. Most of the program measures were implemented in early 2000. Some of the measures included:

- Setting limits for early retirement from 58 to 60 years;
- Reducing the age limit for the partial (part-time) pension from 58 to 56 years, coming into force of a special law with a specific validity period (law of a fixed duration), which was in force until the end of 2002. The purpose of the model of part-time retirement was to minimize the effects of early retirement;
- Not to lose the right to a pension based on unemployment, for people over 55 years of age, if they find temporary, lower paid job;
- The reduction of the factor used in the calculation of early retirement;
- To promote the employment of older persons (55-59 years) through intensive staff training and implementation of other measures necessary for active employment by the labor market organization.

A group of experts followed the implementation of the entire program by evaluating of indicators was developed such as the employment and unemployment rates, as well as the rate of early retirees. In addition, the supervision was carried out in the field of secondary program goals, such as improving labor skills, and improving professional skills of aging workers. A special system of indicators was developed as an additional instrument to control the success of implementation of the program activities. The program proved so successful and attracted the attention of other European countries that were interested to use the experience of Finland during the implementation of the program in making their own national strategies.

Evaluation of the program results pointed to significant progress in the field of information of society and creating awareness about the problems of aging workers, as well as the rate of aging nation in general. Great progress has been achieved in the field of lifelong learning concept; the program has helped in establishing a number of centres for training and education of the elders. Another important goal has been accomplished in terms of increasing the average number of years for retirement, and people were encouraged to work longer and prolong the time for retirement. However, the chances of older persons to find a new job were still far less, compared to young people, although the results reported indications that the situation has improved through greater participation of the elderly population in the activities of the program.

The Characteristics of Reforms in the European Union

Problems and measures related to the concept of active aging occupy an important place on the agenda of EU member states, which pay much attention to the development of national programs and strategies to ensure the necessary reforms in respect to aging problems that almost all of them are facing. Although the national measures differ between European countries due to the specific social and other circumstances, it is possible to single out certain common characteristics of changes, primarily related to the reform of pension systems.

Several countries in the European Union plan to more effectively align the retirement age limit to life-span expectancy. Dutch government suggests increasing the retirement age by one year (from 65 to 66) by 2020, but does not provide direct binding of the age limit for life-span expectancy. Some countries have decided to postpone similar measures for the future, which

can lead to high pressures on the financial sustainability of pension systems. In the Czech Republic, the age limit for retirement will rise to 67 years, but not until 2041 and shall be uniform irrespective of the gender. On the other hand, a number of member states will raise the age limit but with differences in terms of the required age for men and women. Increasing the retirement age in Bulgaria will start in 2021, through the increase from six months according to the annual plan, until it reaches the limit of 63 years for women (2026) and 65 years for men (2024).

Table 1: Changes to retirement age and year of their implementation

Country	New retirement age limit	Year to achieve new retirement age
Denmark	67	2022
Germany	67	2029
Republic of Ireland	68	2028
Spain	67	2026
France	67	2023
Lithuania	65	2026
The Great Britain	66	2020

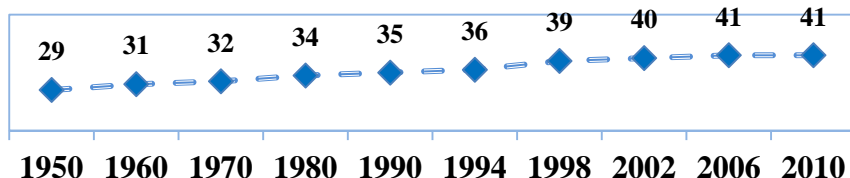
Source: European Commission, *Employment and Social Developments in Europe 2011*

Direction of reforms of European pension systems is based on two key determinants, increasing the retirement age and a tendency to equalize age for retirement for both genders. Unlike other countries in Western Europe, Serbia has already raised the age limit to 65 years, which is higher than the prescribed limit in many European countries. The next step in reforms is gradual harmonization of the age limit with life-span expectancy, and, in the longer term, the equalization of conditions for women and men.

Indicators of the Population Age Structure and Labour Market

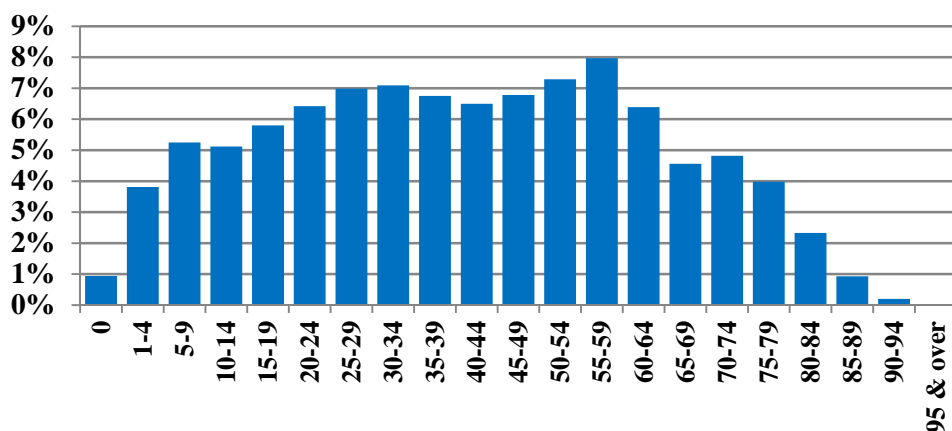
On average, the population of the Republic of Serbia is getting older. For the past six decades, it has increased by 12 years (Graph 1).

It is interesting to note that the average age in the period 1990-2010, taken every four years, increased by almost the same or higher amount compared with the period 1950-1990, where the average age is observed in two and a half times longer term.

Graph 1: Average age of the population in the period 1950-2010

Source: Statistical Office of Serbia (2011), *Demographic statistics in the Republic of Serbia, 2010*.

Distribution of population by age groups confirms that we are a very old nation, and is shown in Graph 2. Proportion of population aged 65 and over is 17% of the total population, in absolute terms 1,233,412 persons belongs to the mentioned age group. Alarming fact is that the percentage of population aged 55-64 years is over 14%, and those are expected to retire in the coming years, while the share of the group aged 5-14 years, which should move into the working population group in years to come, and replace retirees in the labor market, is around 10%.

Graph 2: Distribution of population by age

Source: Statistical Office of Serbia (2011), *Demographic statistics in the Republic of Serbia, 2010*.

The working age population (15-64 years) in 2010 accounted for 67.6% of the total population. Compared with the new EU member states, this percentage is lower, but still above the average EU-15. Table 1 shows projec-

tions of several demographic indicators and trends in the rate of demographic dependency in 2010 and 2050.

Table 2: Projections of the population age indicators, 2010-2050

Republic of Serbia	Medium fertility version			High fertility version			Low fertility version		
	2010	2050	ch.	2010	2050	ch.	2010	2050	ch.
Total population (in thousands)	7428	6591	-837	7447	7168	-279	7394	5732	-1662
Young (15-64) in total (%)	12,1	11,2	-0,9	12,1	12,2	0,1	12,2	8,9	-3,3
Old (65+) In total (%)	16,9	23,2	6,3	16,8	21,3	4,5	16,9	26,7	9,8
Working age population (15-64) in total (%)	67,6	61,1	-6,5	67,5	59,9	-7,6	67,9	62,4	-5,5
Rate of demographic dependency of older population (65+/15-64)*100	24,9	37,9	13	24,9	35,6	10,7	24,9	42,7	17,8
Rate of aging workers as the %of the working pop. ((55-64)/(15-64))*100	20,9	21,6	0,7	20,9	20,3	-0,6	20,9	24,3	3,5
Particularly old as a percent of the old (80+/65+)*100	22,3	26,4	4,0	22,3	26,4	4,0	22,3	26,4	4,0

Source: Statistical Office of Serbia (2011), Workforce projection in the Republic of Serbia, 2010-2050.

All three projection versions indicate significant growth in the share of the elderly (65+) in the total population in 2050. Also, all three versions project the reduction of the share of working age population (15-64) in total population, and the decrease was from 5.5% to 7.6%. The data in Table 2 show an increasing proportion of older working population in the working population (except in the case of high fertility), as well as the share of particularly old in the older group of the population.

Due to the growth in the share of elderly people and the decrease in the share of working-age population in total population, the growth of demographic dependency rate of the elderly population is expected. All three sce-

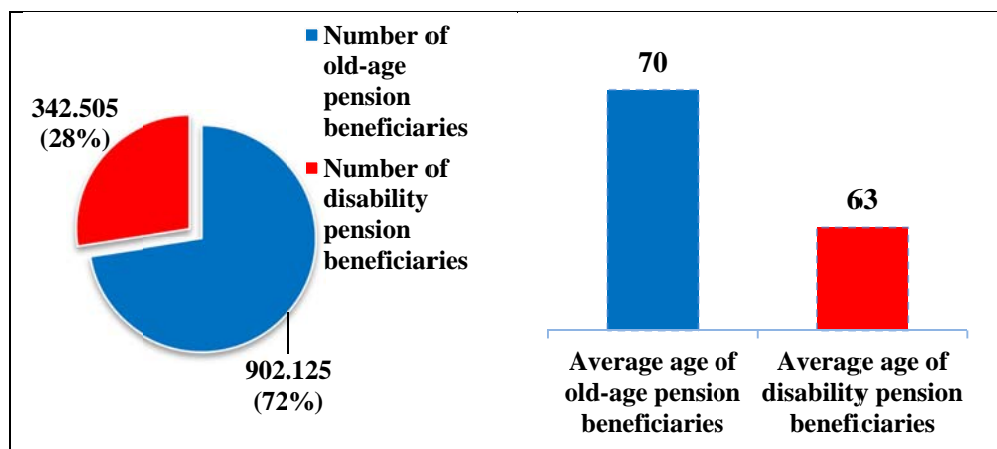
narios of the projection clearly indicate the aging of the population as a trend over the next forty years.

Analysis of the total population of the Republic of Serbia, as well as the labour force projections for the next forty years, indicate the challenges that lie ahead, particularly in the area of active aging policy and (re)activation of the elderly population. Since the share of working population is expected to decline and the percentage of people over 65 years to grow, there will be increasing pressures on the financial sustainability of the pension fund and the state budget. Therefore, it is necessary to consider new, innovative ways to increase the economic activities of all population structures, especially the elders, in order to ensure future sustainable growth and development of our society (Dusmanescu, Bradić-Martinović, 2011). In order to discuss concrete measures for activation, first we have to perform segmentation of beneficiaries in more dimensions.

Segmentation of Retirees

The focuses of the analysis of retirees' structure are old-age pension beneficiaries, which, unlike disability and family pensioners have the legal right to work after retirement. Graph 3 shows the comparison of old-age and disability pensioners by the number of users and their average age. The data indicates almost 2.5 times higher number of old-age retirees but also their significantly higher average age.

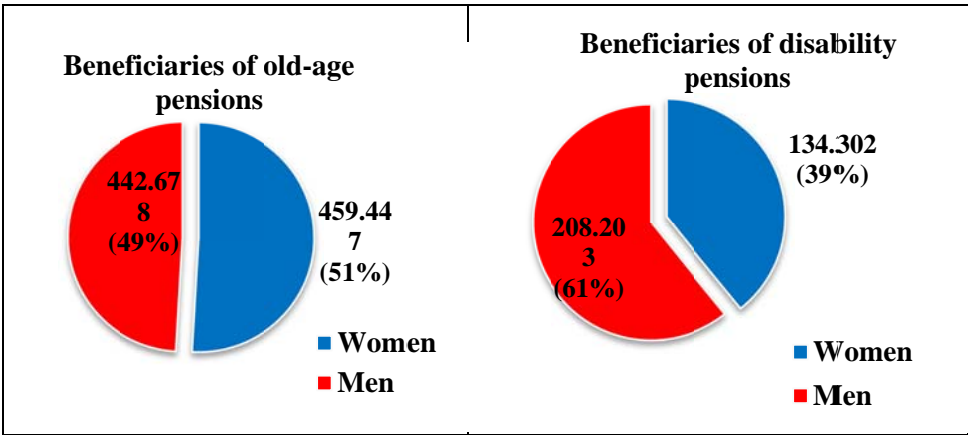
Graph 3: Number and average age of old-age and disability pension beneficiaries



Source: Authors calculation based on Statistical Office data for 31.12.2010.

Graph 4 shows the structure of both types of beneficiaries by gender. The share of men beneficiaries is significantly expressed amongst the disability pension beneficiaries, and comes to 61%. In case of old-age pension beneficiaries, the share of women and men is approximately the same.

Graph 4: Pension beneficiaries by gender

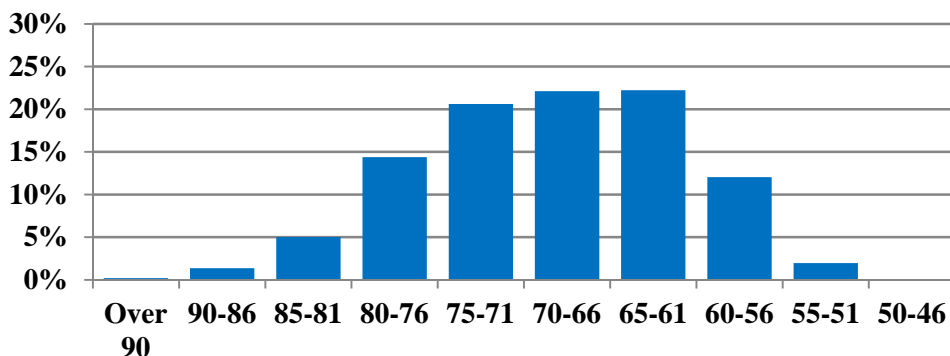


Source: Authors calculation based on Statistical Office data for 31.12.2010.

It is necessary to analyse the distribution of the old-age retirees in certain age groups, in order to gain insight into the number retirees who may represent a critical mass involved in the potential reactivation process. Graph 5 presents the schedule of old-age pension beneficiaries for certain age groups.

The most dominant were two groups with 22% share in the population of retirees, aged between 61-65 and 66-70 years. Nearly 2% of beneficiaries aged between 51 and 55 years, while the percentage of older than 90 is only 0.2%. The target group of pensioners in terms of reactivation measures could be a group of retirees aged 51 to 65 who make 36% of total number of old-age pension beneficiaries in Serbia, and about 327,000 retirees in absolute terms. These retirees can bring valuable, often overlooked and under-utilized economic resource of the nation that decision makers must take into account when creating the policy of active aging. In addition to age structure, another very important subject of analysis of retirees is their education and occupation. With this sort of research, one can determine what kind of knowledge and skills retirees can "offer" to community and economy through their process of reactivation.

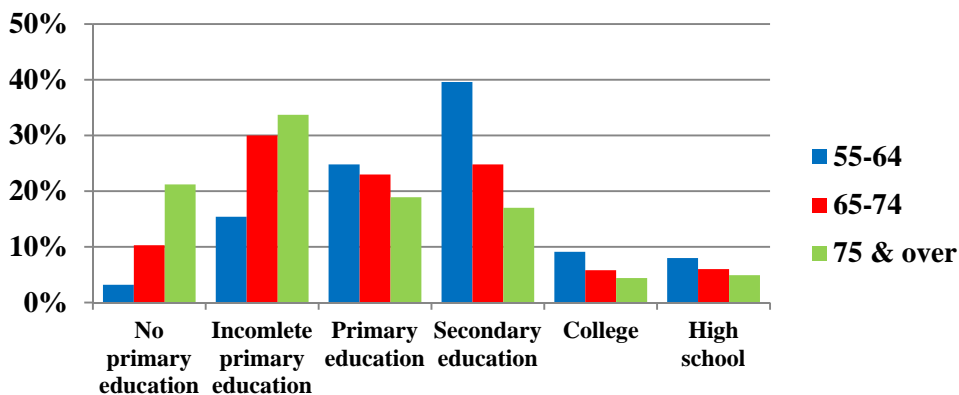
Graph 5: The distribution of old-age pension beneficiaries by age groups



Source: Statistical Office of the Republic of Serbia, 2010.

Graph 6 shows the level of qualification for the three age groups observed. As provided on the graph, in all three age groups there are very few people with higher education. The oldest group may be considered for the group with the lowest level of education, and more than 20% of people older than 75 years are without any education. However, the most interesting is the education level of the members of the age group 55 to 64, where the highest percentage is considered to have secondary education – almost 40%. Approximately the same percentage has college and/or high school diploma, and it amounts almost 10% of the total number of respondents in their group.

Graph 6: The level of education of the elderly population



Source: Ministry of Health (2007) Population Health Survey in the Republic of Serbia in 2006

These indicators are important because they point to the significant potential of knowledge and skills that can be used by their reactivation. Manner that will allow us to more effectively determine which jobs they can deal with is the determination of their profession. The table below presents the structure of occupations of people divided into three age groups.

Table 3: Occupations amongst the elderly, 2006.

Occupation	Age group		
	55-64	65-74	75+
Executives	4.3%	0.0%	0.0%
Professionals	15.0%	2.5%	0.0%
Technicians	11.0%	1.0%	0.0%
Clerks	13.0%	1.0%	7.0%
Utility workers and traders	14.0%	4.0%	0.0%
Workers in agriculture, fishing industry and forestry	14.0%	77.0%	71.0%
Craftsmen	13.0%	9.0%	0.0%
Machine operators	7.0%	0.0%	3.0%
Simple occupations	8.0%	3.0%	4.0%
Military personnel	0.0%	0.0%	0.0%

Source: Ministry of Health (2007) Population Health Survey in the Republic of Serbia in 2006

Judging from the data from the Table 3, the members of the age group 55-64 years can be able to perform different types of work, from those requiring a lower degree of physical involvement (various trade and other services), machine operating trainings, technological and other processes, teaching the younger generation interested in learning old crafts, etc. Below we give a proposal of models to reactivate older unemployed population and retirees, the voluntary model and the model of retirees' cooperatives.

The Models of Reactivation

The need for reactivation occurs due to the pressure on the financial sustainability of pension systems, as well as the aging of the nation. In the future, there will be intensive increase in the number of beneficiaries, while the share of working-age population will decrease, from whose contributions a fund for pensions is formed. Therefore, it is essential to take the necessary

measures of economic reactivation of the older population that will appropriately balance between their poverty and financial collapse of the pension insurance fund (due to the "generous" social policy). One way is unpaid or voluntary work, while the second alternative applies to intermittent (part-time) work, organized as a model of retirees' cooperatives.

The Voluntary Model

One of the possible models of reactivation of the older population is a volunteering, particularly important for the transition period from work obligations to the retirement. Volunteering can be defined as conscious provision of unpaid services, the use of time, knowledge and skills, usually through certain organizations (Gill, 2005, p.1). Volunteering in Serbia is not broadly accepted, even among the younger generation, which may be understandable given the difficult financial position of the population. If you want to get as many elderly people join the process of volunteering, it is necessary to promote the importance of volunteering, both for society and for the volunteers, while providing adequate institutional support, which would channel this type of activity.

The benefits of elderly people volunteering are multiple. Numerous studies have shown that volunteering is extremely useful for older members of the society, through (Gill, 2005, p.12):

- Improving the health status (exemption from depression, longer life-span expectancy and increase the overall level of welfare)
- Achieving greater social role (active role in society, improving their own skills by helping others, greater personal satisfaction)

Research also shows many benefits presented by the volunteers themselves. Some of them refer to: less idleness, a sense of usefulness in society, taking responsibility, opportunities for acquiring new knowledge and skills, social interaction and meeting new people, etc. By active participation of the elderly in the process of volunteering, a very important social resource for the state is being utilized, particularly important due to the problem of aging population. Increased participation of older people in unpaid work helps mitigate the effects of demographic transition, through the realization of an indirect financial benefit to society. For example, it is estimated that the economic value of volunteering in Scotland is around 2.6 billion Euros, representing a 2.3% share of the GDP of that country.

Older volunteers can perform a wide range of activities in the process of volunteering. Studies dealing with volunteering survey (Gill, 2005) prove this by indicating the following activities performed by older volunteers:

- Law practice affairs, providing advice and information
- Providing care, teaching and working with youth
- Help with administrative tasks
- Practical tasks such as cooking and gardening
- Leadership through coordinating activities of other volunteers, membership in the organization committees, the role in proposing new activities etc.

Serbia needs volunteer programs for seniors, initiated by the state, which will create the possibility of establishing volunteer centres and organizations responsible for implementation of active conduction of volunteering activities. The primary role of such programs would be the creation of so-called smart state "strategy of exiting the labour market." The importance of volunteering of unemployed elderly people may increase the chance of re-employment, particularly through participation in corporate volunteer programs. In December 2011 in Belgrade, there was a national conference on volunteering in Serbia entitled "Napravi promenu – volontiraj!" (Make the change – volunteer). There, the importance of engaging all national, regional and local institutions, companies and media to promote their actions, develop and implement a volunteering policy of all age structures of the population was emphasized. Volunteering of pension beneficiaries combined with the temporary (*part-time*) work during retirement, would lead to significant increase in the rate of utilization of the elderly population resources and improve the financial sustainability of pension funds.

The Model of Retirees' Cooperatives

A possible model called (re)activation of retirees may be in the form of temporary employment, retirement through retirees' cooperatives. A prerequisite is that the Act on cooperatives provides the establishment of the so-called retirees' cooperatives that would function like a youth fellowships. Members of such cooperatives could be persons of 55 to 66 years of age (the number of almost 330 000 retirees), who enjoy the right to retirement. Thus, the cooperative would function as an intermediary between potential employers and retirees who are concerned (and in good health) to work. The government could benefit by increasing budget revenues, tax collection from the cooperatives, as well as the collection of contributions for members of cooperatives, while pensioners would be able to increase their income with-

out waiting for a decision of the state to increase their benefits. In addition, the state would benefit from increased economic activity of elderly people, by creating more so-called part-time retirees and increase the struggle against poverty and age structure of the entire population.

Researches indicate that in this age group of people there is a different range of occupations and skills that can possibly take advantage of the implementation of the proposed model. The structure of professions is as follows: 15% professionals, 13% of craftsmen, machine operators 7%, 11% technicians and 4.3% executives.

Cooperative members could perform a different type of activities, from those that require physical engagement (various trade and other services), training for machinery, technology and other processes, training for the old crafts and so on. Working through the cooperative also offers many advantages for employers. By concluding a contract with the cooperative, employer benefit is realized in the form of lower labour costs, i.e. less costs to gross profits compared to permanent workers.

This benefit provides a strong incentive for the legalization of business, reducing the "black labour" for which severe penalties were provided with regard of high fines and a ban on activities. Furthermore, the employer is able to achieve a non-negligible savings in time and money in finding the necessary work force. Applicants were able to immediately provide the required of the employee using a single phone call. This avoids the use of the extensive administration and procedure of finding the necessary workers' skills. The employer has the right to make an interview with more potential workers, sent by the cooperative, and to choose the one that best suits his needs. There is a possibility of replacing of the employee with no major barriers if the employer is not satisfied with the performance of the employee who he had already hired. In short, cooperatives provide a complete service to the employer and place at his disposal a vast human resource base of the cooperative members, different profiles and different experiences, which can result in savings in time and administration, improving the employer's work organization.

Statistical data clearly indicate a very difficult situation of cooperative sector in Serbia. There are very negative tendencies in the cooperative sector, which include reduction in the number of cooperatives and the people working in them, increased losses, as well as the increasing marginalization of the sec-

tor in the economic system of Serbia. The following table presents a summary of the cooperative sector in the period from 2007 to 2009.

Table 4: Cooperatives sector, 2007-2009.

Year	Number of cooperatives and cooperative associations	Number of co-operators	Number of employees	Turnover, mil. RSD	Net profit, mil. RSD
2007	2.337	125.551	10.863	48.793,9	-620,1
2008	2.314	125.493	9.853	57.069,4	-1.852,7
2009	2.140	122.192	8.563	49.835,7	-900,9

Source: Office for Regulatory Reform and Regulatory Impact Analysis, Analysis of the Effects of the Draft Law on Cooperatives

These data do not indicate a real economic potential and capacity of the cooperative sector in Serbia, particularly bearing in mind the aspect of social inclusion and the fight against poverty, as well as creating new types of cooperatives. Cooperatives as one of the cornerstones of the social economy were not adequately recognized and legally regulated, and therefore this important form of social entrepreneurship is marginalized in Serbia (Office of Regulatory Reform and Regulatory Impact Analysis, 2011, Analysis of the effects of the draft Law on Cooperatives, p. 37).

Conclusions and recommendations

The financial stability of pension funds and opportunities for sustainable economic development will largely depend on the difficult but necessary measures and the reform of the pension system. The problem of aging population, increased by the insufficient economic activity of the population, further threatens the long-term stability of public finances. Therefore, it is essential that decision makers recognize the problem and initiate programs that will promote population active aging, modelled after the best global practices. In this regard, we recommend the implementation of the following measures:

- Directly bind the age limit for retirement for life-span expectancy;
- The equalization of the retirement age for both genders (women longer enjoy their benefits from pensions);

- Amend the provisions of law that prescribes check-up for users of disability pensions to be performed once a year (instead of once in three years). As users of disability pensions are on average almost ten years younger than the old-age pension beneficiaries, it is necessary to detect possible abuse of this right and to suspend pension payments if these are detected;
- Adopt a national strategy for older people, modelled on the Finnish model, whose main effect should be a reactivation of the older members of the society;
- Establish effective mechanisms for evaluation of the extent of volunteering in Serbia, in order to gain a clearer picture of its economic value;
- At the highest state level, financially and logistically support the operation of volunteer centres and other organizations involved in volunteering, in order to provide the necessary resources for the promotion of volunteerism and the mobilization of volunteers (especially the elders);
- The new Law on Cooperatives provide for the establishment of the so-called retirees' cooperatives that would function like youth fellowships. Members of such cooperatives could be persons of 55 to 66 years old (almost 330 000 retirees), who enjoy the right to old-age pension.

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