Age Management Measures - a Case Study

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Abstract: This article introduces different possibilities for age management measures for working with employees above 50 years old on a specific example of a Norwegian company. Firstly, there is a brief summary of the reasons for the introduction and use of age management in business practice as the implication of demographic changes in the developed countries of Europe, especially the ageing of the population and, therefore, the ageing of the entire workforce in the labour market. Furthermore, the article presents a list of actions implemented in the Norwegian company, AB Ltd., in order to increase the productivity and loyalty of the current employees and also to take advantage of the synergies between different age groups working in teams to solve working tasks. Finally, the article argues for the possibility of the application of these measures to the business environment in the Czech Republic with regard to economic and cultural differences between these two countries, which are a key factor for successful implementation.

Key words: age management · ageing of the population · employment · employee’s benefits

JEL Classification: M54 · M51 · M12

1 Introduction

The employment of people over 50 years old has recently become an increasingly contemplated topic. Expert commissions are being formed on a European, as well as local, level to try to promote the topic among government officials, public administration institutions and private business entities, by organizing courses, financial support programmes or proposals for changes of legislation. One example is the National Action Plan promoting positive aging for the period 2013-2017, prepared by the Ministry of Labour and Social Affairs of the Czech Republic (MLSA CR), the White Paper: An Agenda for Adequate, Safe and Sustainable Pensions, 2013, issued by the European Commission or its publication, 2012 – the European Year for Active Ageing. The reason for the increased interest in this area is the issue of the aging population faced by the entire European Union (EU) – the Czech Republic (CR) not being an exception. Every year there is a reduction in the number of births, which means extending the working life of the population of individual countries (Eurostat, 2015).

Unfortunately, a mere extending of the retirement age does not bring adequate compensation for the lowering number of the economically active population financing the present retirees in the rolling pension financing system. Companies demanding a young generation of workers must still vigorously fight for quality graduates, mostly in technical fields, even though it could often prove to be more effective to make use of more experienced employees or retirees. This trend was confirmed by the testimony of the parties of the largest Engineering Fair in Brno (Právo, 2015). Performing work activities in later life, without any doubt, carries some risks and the need for increased interest from HR, as well as a relevant manager. Older employees must deal with a variety of prejudices and stereotypes, many of them end up at job centres (OECD, 2015), which brings these individuals not only financial problems but also social (loss of contact with society) and mental (the feeling of uselessness) problems. This may lead to a deterioration in their health that, in turn, leads to increased costs in health insurance (Buchtová 2002, Kuchař 2003, Pavelcová 2004).

Age diversity in the workplace can bring the company both positives and negatives. A big role is played by the approach of managing workers to different age groups of employees. This largely depends to what extent they succeed in maximizing the benefits and eliminating the risks. To simplify this task, the Danish researcher, Ilmarinen (2005, 2011), introduced the concept of age management, which means, according to a translation of the Association of Education during Adult Age (2011), “creating conditions that take into account the age, at a political and organizational level, in the management of work processes in the physical and social environment”. As the definition shows, not only the age group of people over 50 years is affected, but it is a comprehensive approach to a whole spectrum of age groups represented in a company. It is the effort to adapt their work environment, organizational structure and the range of benefits offered, so as to create an environment enabling the maximum utilization of the potential of each age group - young people up to 30 years old, the generation between 30-50 and persons over 50. Each of the aforementioned generations has different needs and priorities; therefore, it is necessary to take into account age differences. Initially, the issue of the employment of older workers over 50 years of age has started to be researched by

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Scandinavian authors, for which there are several reasons. The most important is the fact that all the Scandinavian countries act as generous "welfare states", the cost of their social policies represents the largest percentage of state budget expenditures, and therefore, the impact of aging is reflected by the countries very quickly. The state budget receives less tax revenue and the need for higher social costs arises, whether they are for pensions or benefits during periods of illness. Specifically, in 2015, 36% of spending (the largest budget item) accounted for the payment of pensions, sick pay or health care, i.e. NOK 418.6 billion. (Statens og utgifterinntekter, 2015)

An effort to keep employees on the labour market for a longer time presents itself as the best solution to the situation.

2 Methods

The aim of this case study is to identify the measures of age management intended for a selected age group of 50+ in the Norwegian company AB Inc. Measures targeted at this age group are, in the Norwegian business environment, called a "senior policy" (The Centre for Senior Policy SSP, 2012). Senior policy measures in a work environment are considered to be such measures that are striving to adapt the working environment to the needs of workers aged 50+. However, it does not have to be a measure specifically aimed at this group, the measures may be focused on several age groups at once.

We have chosen this Norwegian company because of the level of the development of age management. We have chosen a production company, where the transfer of know-how from experienced to less-experienced employees is implemented, and human capital is one of the most important competitive advantages here. It can represent a key factor of success on a highly competitive globalized market. A proper functioning of such a system requires the sufficient motivation, capacity and commitment of employees to achieving continuous improvement and development. For these reasons, the main objectives of personnel policy are: 1) to provide all the age groups with the possibility of personal and professional growth in their course of work, 2) to implement specific measures to support the development of essential competencies.

Another criterion was the existence of different age groups in the company. The main guideline for the selection has become the annual award for the company with the best age management system, which is awarded by the Centre for Senior Policy. Out of the nominated companies, only one was interested in working on this case study. To preserve its anonymity, it will be referred to under the name AB. The purpose of this case study is to capture the main instruments used to adapt the work environment to the needs of older employees, aged 50+, including the efforts to quantify the costs of their implementation and reuse.

The history of AB and its predecessors dates back to the 1880s when the first company dealing with electric energy was founded. Over the next 60 years, it slowly developed from a small family business to become a big manufacturing company expanding into related fields. In the 1980s, when there was a huge boom in the oil industry in the North Sea, there was a dramatic increase of capital. As a result of an inflow of new investors, and after mergers with several companies engaged in oil processing and providing related services, the company has existed since 2007 in its current structure. It belongs among the premier providers of services related to the processing of crude oil, natural gas and renewable energy sources. The range of services includes conceptual studies, engineering, procurement, production, assembly, finishing systems, maintenance, operational support and decommissioning.

The management presents the delivery of sustainable solutions as the company’s vision. The key for them is to act as a responsible, visionary, open and flexible company. In their own internal directives, they have committed to performing management that cares about the health and safety of their employees and the protection of the environment. All activities must comply with ethical standards and the principles of social responsibility. An important element for them has become the credibility to all their stakeholders – suppliers, customers, clients, employees, owners and local government. Within its official policy, they are committed to improving the skills of their employees and to an equal recruitment policy.

In addition to Norway, where we can find the majority of their branches of management and production, it operates on the markets of Denmark, Thailand and Singapore. Overall, the company employs more than 6,000 employees. The annual turnover for 2013 amounted to NOK 12 billion (approx. CZK 40 billion).

The main method used was the analysis of key documents containing information on the workings of the senior policy of Norwegian Enterprise AB, Inc. These were mainly internal directives and manuals about senior policy in the workplace, as well as wage rules and directives for selected senior policy measures. As these resources contained only partial or general information about the operation, it was necessary to complement these materials with interviews with the Human Resources director of the company and his representatives. Interviews were carried out via standardized or semi-standardized interviews. Following an agreement with the HR Director, a questionnaire survey among employees was not agreed upon; therefore, this plan was abandoned for the time being. However, the questionnaire is not ruled out during further cooperation.
3 Research results

In AB, we identified two groups of age management measures. In the first one, measures required by the Norwegian legislature, above all in the Labour Code (Lov om arbeidsmiljø, arbeidstid og stillingsvern – LOV-1977-02-04-4) or the ones negotiated with trade unions, for example, Contractual Early Retirement Schemes about a flexible transition to retirement. It is a mainly a flexible retirement age, based on new legislation by the Norwegian government to support the employing of older people. An employee is able, at their sole discretion, to choose their retirement age from the offered range of 65-75 years. It is also acceptable to combine employment and a part or full pension from the age of 62. Each employee age group has a set expected life span in retirement. In the time of retiring, the collected pension requirements are divided by the years of the expected length of life for the age group. The result is the annual amount of retirement pension paid. AB Inc. takes part in Contractual Early Retirement Schemes (AFP). This legislation allows for the retirement to be at an age from 62. A necessary condition for early retirement or the combination of work and retirement is, however, a sufficient sum paid into the pension system. The competent authority established a minimum level of income from which it is possible to ask for early retirement. This threshold has to be met at least ten years after reaching the age of 50. Since 2011, the scheme AFP has been a permanent part of the public pension scheme. In the private sector, the law allows the combination of retirement pension, AFP contributions and a job without the necessity to meet the minimum threshold of income in recent years. If there is an agreement between a company and an employee, the employee can postpone their retirement and continue working until 67. In this case, they receive a wage, as well as the pension.

One of the tools enabling an individual work environment’s adaptation is the repeated discussion, the so-called “Milestone Discussion”, with an employer, taking place from the reaching of 60 years of age. The goal of the discussion is, above all, the identification of the needs of individual adjustments in an area’s working time, work tasks or workload, the range of responsibility or expected work demands during the senior phase of the circle of working life. The discussion takes place yearly between the direct manager of the employee and the employee. Based on the observations and suggestions from all the staff involved, the manager reports the current satisfaction with the present system and possibly proposes changes. The report is passed to a higher manager, who decides further steps. The discussion should take place at the same time as the participation on a company course preparing older employees for retirement does. If suitable, and depending on personal situation changes of the employee, the employee or their direct manager can ask for the start of “Milestone Discussion” from an earlier age (the bottom limit is set at 55). When taking part in the discussion from 55, the main goal is rather finding out about the employee’s wishes and preferences concerning their future development in the company in terms of the competence requirements for individual jobs. Not later than at 60 years of age begins, there is the preparation of a specific plan for the development of selected competencies following the agreed-upon measures and a plan of a gradual transition to retirement.

The relationship between a manager and a subordinate is built upon mutual trust, respect and equality in rights. Superiority x subordination is rather a formality printed in the organizational structure. Real people act as if they were at the same level. Employees in Norway do not fear losing their jobs if they admit a problem in a work activity. Whether it is unsatisfactory working conditions, the onset of health problems or family problems. Managers are trying to solve the cause of the problem as quickly as possible. Letting an employee go, especially before reaching the age of retirement, is an extreme option.

The company offers the possibility of consultations and workshops arranged with individual financial consultants for employees born in 1950 or earlier. In the courses, employees learn about the options for financial investment and securing themselves for retirement, about all the risks and benefits associated with particular variants, and the consequences that the choice of each product would bear. This provides a good basis for correct decisions on funds management. For younger employees, this option is offered from reaching 61 years of age.

A retirement preparation course is provided to employees from 60 (when they decide to participate in the “Milestone Discussion”, it is possible to take part in the course even sooner, from 55). The programme of the two-day seminar aims at introducing the employees to the conditions of retiring and relevant formalities, forms necessary to be filled in or what applications should be submitted. As a result of the latest pension reform (2011), the content had to be revised to reflect the new law on retiring that began to regulate flexible retirement. Employees do not only find out about the legislative aspects, but a whole senior policy system of AB Inc. is introduced. That way, they gain an overview of the possibilities of working time adjustments, conditions in the workplace or unpaid leave. Although the internal directives provide a whole senior policy overview with all the conditions for using the various measures, in the course everything is explained in an informal way. Employees can ask questions about uncertainties or propose measures and adjustments that would suit them more. At the same time, they are introduced to the people responsible for the implementing of specific measures in the company. Therefore, they can, if needed, contact them later directly. The leader of the course is, partly, an external specialist and, partly, an HR professional.
There are two forms of flexible working hours in a company – reduced working hours and job sharing. AB Inc. prefers full-time work for as long as possible, but provides the option of reduced working hours as well, mostly 60-80% of the standard working time. If suitable, the percent can be lower. This is, however, particularly the case in job sharing between two employees, where the work time is divided equally 50:50. Due to health regulations, the percent of working hours can be reduced below 50. During the implementation, it is necessary to allow for the certain time required to master proper work task assignment according to the extent of the jobs.

An advantage of the measure is seen in that, even though an employee works only for 60-80% of the standard working time, that does not mean the same reduction in work performance. On the contrary, in the company, it has been shown that work time utilization is more effective. The reduction of performance with advancing working hours is not as noticeable as with a common working time. Reducing the working time to 60% was reflected, in the best scenario, by a lowering of performance to 78%, and with an 80% reduction in working time, the work performance was reduced to 89%.

In the case of part-time jobs, we can say that we employ more people than necessary to achieve a required performance. Therefore, our costs rise due to health and social insurance. On the other hand, such employees are more efficient in shorter working hours, and it is necessary to account for the costs of severance if the employees were let go. Its amount increases in Norway, with the years of service. Furthermore, for a certain time before the retirement, an employee cannot be laid off, that is why a part-time work arrangement is an appropriate form for the maximum utilization of the working capacity of older employees.

Employees after the age of 63, working full-time, are provided week long paid leave, in addition to the usual length of leave. A condition for obtaining it is the last 12 months without being on sick leave. After reaching 65, the full-time employees are entitled to another week of paid leave, this time without further conditions. The extra holiday can be taken as a whole week, single days or hours in the following twelve months. The company cannot transfer the time to the next period or reimburse it. From the 67th year of age, there is a calculation of the days of paid leave in relation to the time of retirement. If an agreement on the transition to part-time work is achieved, the right to the paid leave is again proportionally reduced. Extra holiday is supposed to serve the employee to revive their working abilities, which leads to an increase in work performance after the return to work. It plays an important role in the prevention of health disorders. Norwegians spend their leisure time actively, to keep their mental and physical strength in better shape, which also contributes to a reduction in health care costs.

For employees from 63 years of age, the company offers the possibility to take up to 20 days of unpaid leave without the need to state a reason. If the employee is entitled to a contributory AFP pension, 100% of the wage is accounted to their mandatory income, despite not having exercised their performance. The unpaid leave provides a security that, in the case of a need to resolve some private affairs, they have the support of their employee. Then they can solve their problems immediately and then focus on their work performance without further distractions.

Being a mentor for other employees is completely voluntary. The company actively offers this option as a part of the Milestone Discussion. However, the decision is up to each individual employee. If they are interested, they inform the manager, whether it is during the Milestone Discussion or during usual working time. The manager registers the interest and passes the information to Human Resources. Periodically, during six months, the interest in the mentor position is evaluated in relation to the current needs. Based on this selection, the potential mentors are approached, and the company organises a workshop for them. There they learn how to approach young workers, what their specifics are and what the best methods of skill transfer are, etc. The content of the technical scope of the transmitted knowledge depends solely on the appointed mentor and the manager. Mentoring is performed by the employee in their regular working hours as their new working task, if required. Older employees feel useful in the role of a mentor, they are happy to share the experience acquired and see it being passed to the younger generation. At the same time, young people can give them vigour, confidence and a zest for life. That improves their well being, increasing their ability to work (according to the Working Ability Index – WAI) and decreases health problems in employees. In such a case, a similar age of mentor and novice is advantageous, they understand the problems of their age and are able to estimate the best possible way of skill transfer. The mentor receives no additional salary; only their job description is changed. The course for mentors is organised by the HR department of the company and attended by former and current mentors so that they are able to share their knowledge with others.

When alternating shifts cycles (morning, afternoon, night), an employee from 60 is entitled to omit whole cycles and work only in morning shifts at a standard length. They do not have to participate in extended shift cycles (12-hour shifts).

Individual career planning is a part of the corporate concept of human resources planning. Based on the “Milestone Discussion”, an HR worker, alternatively a manager, tries to estimate the further needs of new employees. They also plan such steps to strengthen motivation, improve the expert knowledge and health status to ensure an older employee is able to perform their job just as well as in the past and feels comfortable and satisfied in the process. This approach allows the spending of personal costs effectively and within a pre-set plan.
4 Conclusions

To sum it up, we can divide age management measures to two groups. In the first one belonged measures required by the Norwegian legislature, above all in the Labour Code, it is mainly a flexible retirement age. Into the second group of measure belong those based on a voluntary basis. Particularly in this company, it is Milestone Discussion, financial counselling, a course for the preparation for retirement, part-time jobs, extra vacation, unpaid leave without stating a reason, relief from work on shifts, mentoring/coaching and individual career planning. The main goal of all measures implemented in the Norwegian company, AB Ltd., was to increase the productivity and loyalty of the current employees and also to take advantage of the synergies between different age groups working in teams to solve working tasks.

The example of the Nordic model of the age management system pointed out a completely different approach to employee care in Norway than we experienced during our two case studies in technically oriented companies in the Czech Republic. Norwegian managers prefer long-term goal orientation. Therefore, current performance and productivity are not crucial to them. They are rather interested in how long they can keep the current level of productivity and how the company can contribute to its sustenance. They are not thinking purely in terms of directly incurred costs but see the long-term benefit of senior policy. As proved in the case of the observation of leading managers in a Norway company, including older employees into work teams led to an increase in opinion and experience diversity. The reduction of the time necessary for a decision-making process occurred (accelerated by 20%) and, furthermore, the solutions were easier to implement and more efficient than with more homogenous teams. This is possible due to a confrontation in creativity and moderation, enthusiasm and experience, verve and detachment. Another result is also the positive effect on employee satisfaction with the work environment. They are willing to work longer (the age of retirement increased, on average, by one year), to act as a mentor to younger employees in the workplace, while not demanding a raising of wages. The work fulfils and entertains them to such an extent that they stay even after reaching 67, the retirement age. For the company, it means cost savings in the areas of employee acquisition and learning. Actions supporting a healthy lifestyle, the possibilities of reliefs within the shift system of work or the bonus leave of absence caused a drop in sick leave of almost a third. That supports the implementing of similar measures in Czech companies that could also, through this, improve the work ability of their employees (WAI).

A difference also lies in the approach of the employees themselves. Czech employees are, as a result of historical development, used to more directive management, to a manager focusing on achieving a maximal performance for a minimal possible wage. New measures, implemented to support employees, could seem untrustworthy to them as a trust in company’s intentions is missing. On the other hand, it is not very common to discuss things with responsible managers and to try to find a solution out of fear of losing your job. The approach of managers towards older employees will have to change, if only under the pressure of an aging population. Dwelling in prejudice and praising the “cult of youth” cannot last forever if the number of children born keeps declining and the retirement age keeps rising. If others prefer employing young, perspective and creative graduates, a company could focus in a different direction that is employing older people (naturally in combination with other age groups). According to the experience from Norway, this does not incur great financial costs in most cases; rather it is necessary to devote a manager’s time to surveying the situation, the exploration of employee needs and solution proposals. An endeavour to improve the situation of employing people over 50 is dealt within current European Union politics. Therefore, as well, it is possible to expect the release of financial resources into relevant European funds during the upcoming programme period. A company then would not even have to pay entry costs, for example, on acquiring ergonomic aids to equip the workplace or for the labour cost of an external consultant for seniors. Moreover, it could label itself as socially responsible because it supports employing a risk group on the labour market.

Apart from increasing the diversity of a team and the acceleration of correct decision making, an experienced employee also brings other advantages of a long-term character. For example, it reduces employee fluctuation, because older employees, according to our survey, prefer stability rather than constant changes. We can see another benefit in the upbringing of loyal and reliable employees with a network of social contacts and diverse interests that, in the time of crisis, can become a pillar of the company, as their solidarity with the company manifests, for example, in their willingness to reduce their salary, retreat from some benefits, move to another position or to obtain a new contract. An important advantage is also the possibility of obtaining a contribution for the salary costs from the Labour Office when acquiring a long-term applicant or tax relief. When creating a socially beneficial job, the contribution could reach CZK24,000 for the wage and financing the requalification of the applicant with the company.

Another advantage is, according to Norwegian experience, easing the transfer of “tacit knowledge” through mentoring to new employees. The company saves on external training, as well as on the time needed for training and, at the same time, it uses the working hours of a current employee, enriching their job content.

In the Norwegian experience, there is an improvement in the transfer of “tacit knowledge” through mentoring and diversified teams. These teams make faster and more reliable decisions than homogenous teams. At the same time, there was no sharp increase in personnel costs, since the application of most of the measures is implemented by the employees of the company during their work time. Only in exceptional cases (external financial counselling lecturers
and the preparation of a retirement course), a one-time increase in funds release occurred. On the basis of the analysis performed, it came to light that the company also implements optional measures of age management if they result from discussions with employees, as needed to maintain their working ability. Continuously, a verification of functionality and compliance of the current state runs with the individual needs of the employees, being it through “Milestone Discussion” or on the basis of a manager’s recommendation.

The main purpose of all the above-mentioned measures is to increase competitiveness by keeping the experienced workers and securing the transfer of their knowledge and experience to the younger employees. That is why some of the measures do not have an immediate positive economic impact. They are rather focused on the long-term rise of employee satisfaction, increasing their loyalty towards the company or establishing trust between them and managers, who are then able to, after the early recognition of a problem connected to a higher age (for example, the need of a different kind of education when implementing a new technology), forgo the problem. As a result of the below-mentioned measures, the company managed to increase the average retirement age by one year, which means that they are about to make use of the experiences of their employees for a longer time and do not have to go through the new employee acquisition process that often.

Measures to support the employing of people over 50 are met with incentives from the Norwegian government, as well as from non-profit organizations. It could even be said that the main initiative comes from the public sector that is trying to motivate companies to become a part of these endeavours. Implementation into the Czech environment could be problematic, with respect to the different way of communication between the private, public and non-profit sector. That is, in the Czech Republic, built on a more formal and mandatory basis, in comparison with Norwegian reality, which is based more on long-term informal relations and an effort to forgo problems altogether.

The European Union, as well as the Czech Republic, has developed plans to support the integration of the 50+ age group into the workforce. A part of the project, there is a possibility of co-financing the implementation of the measures in companies with the goal of ensuring better working conditions for older employees and their retention in an employable state up until a late age. Therefore, it is a good time for companies to try to implement, or, at least, to get acquainted with, the principles of Age management. Only a few companies have yet appreciated the employment of people over 50, so there is still a range of high-quality candidates with industry know-how, whose acceptance into the company could improve its competitiveness. Sooner or later, as a result of population development, the cult of youth will have to be abandoned and then the early adopters of senior policies will have a head start.

References