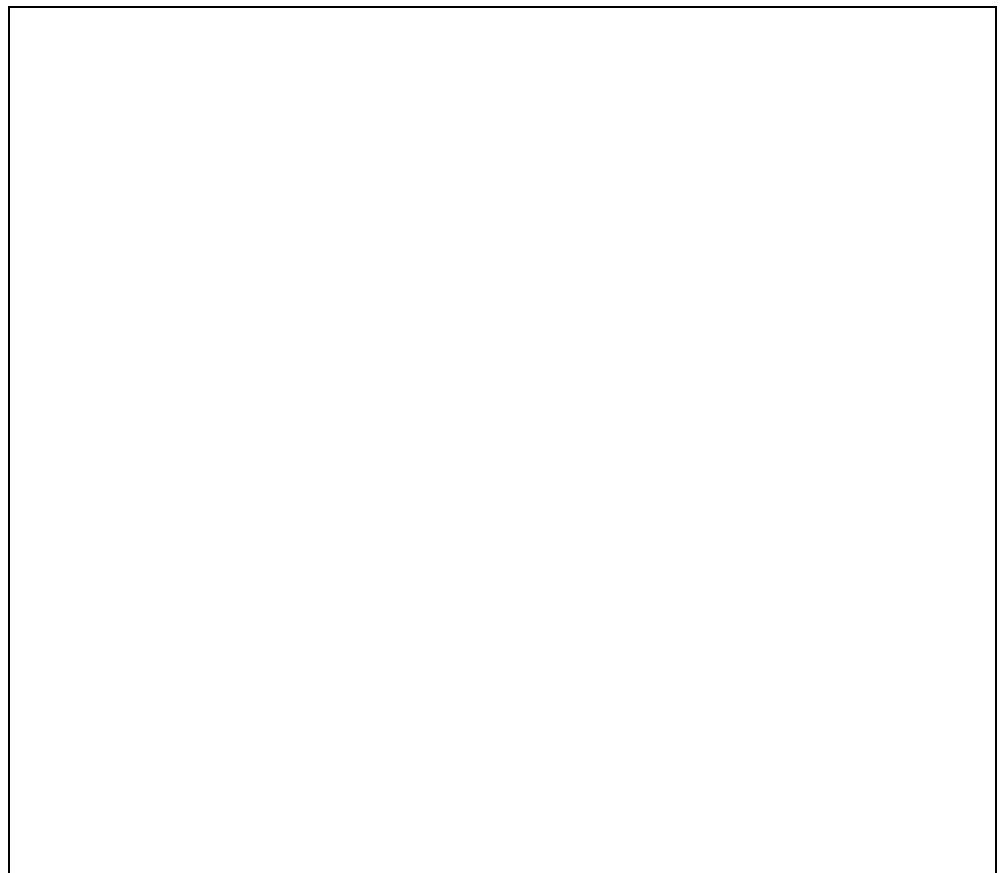




Eurofound

# Impact of the recession on age management policies

## Case study: BARCO, Belgium



## Organisational background

BARCO is a global technology company that designs and develops visualisation products for a variety of selected professional markets: medical imaging, media and entertainment, infrastructure and utilities, traffic and transportation, defence and security, education and training and corporate audio-visual technologies. Sectors of activities covered include C26 – Manufacture of computer, electronic and optical products; C27 – Manufacture of electrical equipment as well as J62 – Computer programming, consultancy and related activities.

BARCO was established in Poperinge, Belgium, in 1934, by Lucien De Puydt. The company specialised in the assembly of radios with parts from the United States. Hence, the name Belgian American Radio Corporation or BARCO. In 1981, BARCO split into two separate companies, BARCO Electronic (consumer electronics) and BARCO Industries (high tech electronics for visualisation and process control). BARCO Electronic and BARCO Industries were quoted on the Brussels Stock Exchange in 1986 and 1987. In 1989, BARCO Electronic and BARCO Industries merged into a single, international electronics group with worldwide ambitions. BARCO was listed on the BEL-20 index of the Brussels Stock Exchange in 1997, and in 2000, BARCO became a ‘Next 150’ company.

Today, BARCO has its own facilities for sales and marketing, customer support, R&D and manufacturing in Europe, America and Asia-Pacific. The company (NYSE Euronext Brussels: BAR) is headquartered in Kortrijk, Belgium, and is active in more than 90 countries with some 3,500 employees worldwide (about 1,450 of which are employed in Belgium). BARCO posted sales of €897 million in 2010 (and €638 million in 2009). Our case study focuses on the Belgian divisions of BARCO, which involves most of the business activities outlined above.

Employers in Belgium differentiate between white collar (*Bedienden*) and blue collar (*Arbeiders*) functions. This distinction affects statutory rights and is quite unique to Belgium. About 72% of employees in BARCO are white collar, with 42% of total employees being in management functions or ‘kader’ (or 59% of white collar employees). Twenty eight percent of total employees are blue collar or ‘arbeiders’ (interview with union representative in LBC-NVK Kadernieuws, 2010). Our respondent mentioned that the percentage of white collar to blue collar employees in BARCO is close to the Belgian average, which he estimated at 75%. Temporary contracts are quite common in BARCO Belgium with around 7–8% of employees in Belgium employed on temporary contracts. Across the global operations the use of temporary staff is much less common. Under Belgium law it is difficult to dismiss employees on permanent contracts (see accompanying Belgian national report). When restructuring, forced dismissals requires a dialogue with social partners. As such, Belgian companies often take on workers on temporary contracts to save costs and allow them to manage the workforce without engaging in such social dialogue (see below). In the Belgian operations of BARCO, about 20–25% of employees are female. One in four employees is an engineer (Jobat, 2011). Our interviewee estimates the current turnover rate at 3–5%. About 17% of employees in BARCO Belgium are above the age of 50. Table 1 shows the age distribution of employees within the organisation.

**Table 1: Age distribution of the workforce in BARCO Belgium**

Age	% of the workforce
60+	2
50–59	15
40–49	30
30–39	36
<30	16

Source: BARCO

HR policy is centrally managed for all global operations, but locally implemented to conform with the national context and legal requirements. As required of companies with over 50 employees, BARCO Belgium has a works council. This council consists of employees elected to the council and deputies representing the company. By law the number of deputies cannot exceed the number of employee representatives. They assist the company in setting HR policy, give advice on general operations, and check to see whether company policy towards employees is adhered to. BARCO also has a European works council. Independent research shows that BARCO is supportive of its works councils in terms of taking its advice on board and giving members resources and time for preparing and attending meetings (De Witte, 2005).

BARCO Belgium has a particular ‘democratic deficit’ in employee representation. The collective bargaining agreement between BARCO and employees is negotiated between unions and the company. However, management functions are not allowed to be part of the union representation negotiating the collective agreement (interview with union representative in LBC-NVK Kadernieuws, 2010). As such, the views of 42% of employees are not incorporated in the collective agreement. In practice, this means a growing number of employees (management functions tend to increase in BARCO as a proportion) has no say over job descriptions, working time arrangements, remuneration scales, car policy, personal insurance, etc. This can present difficulties during restructuring when decisions are taken that change the collective agreement affecting management (see below).

BARCO Belgium holds no official statistics about the unionisation rate. However, our interviewee and documentary evidence suggest that a minority of managers are union members, a majority of blue collar workers are also, as are a majority of the remaining white collar employees (interview with union representative in LBC-NVK Kadernieuws, 2010).

## **Policies and practice in relation to age management**

According to representative of the company interviewed for this case study, there has been a greater willingness to recruit people aged 50+ during the economic cycle of the past two to three years, but this is cyclical. Typically, when demand for labour increases in a positive economic cycle, more companies face talent shortages and recruit more 50+ individuals. However, according to our respondent, this is not sustained during an economic downturn.

In the past, in Belgium one way to deal with the ageing workforce has been through restructuring and early retirement. However, the respondent feels this is changing because of a range of factors: the age at which early retirement can be taken is increasing; policies such as incentives to employers (the offer of discounts on national insurance payments) and training subsidies (in place in Flanders specifically aimed at the avoidance of people retiring prior to the age of 55); policies giving alternatives to using early retirement as a restructuring tool by allowing blue collar and white collar workers to shift to part-time unemployment (see accompanying national report); a changing cultural context in the country whereby old-age

employment is more accepted; and views among companies that old-age working is more acceptable due to forecasted talent shortages.

BARCO Belgium has been identified by the Flemish regional government as a good practice example in terms of age management (Flemish government, 2002). The central concept of its age management policy is 'lifetime employability'. The policy consists of training workers in areas outside their core competence. Training is encouraged to ensure continued employability over the course of an employee's career, including in response to changing circumstances (economic conditions, but also technological change and development, especially since the company is at the forefront of rapidly changing technologies), and to enable job mobility. Though the programme is available to all staff, it has been noted to have specific benefits for older-aged employees (Flemish Government, 2002).

The program has three components:

- a training platform for engineers;
- coaching for managers;
- creating awareness among staff to take responsibility for their own employability.

The training of engineers started in 1998 with cooperation between industrial partners and education organisations. The aim was to offer modules of training for engineers outside their area of expertise. This would ensure that engineers would become more rounded in their competences and would be able to move into other functions within BARCO. The training also focuses explicitly on team working. The courses have some basic requirements: they are not excessive in length; consist of BARCO employees with the same education level; cover topics applicable to work at BARCO; are clear about content. The training offerings are described as 'BARCO University'.

Coaching managers focuses on enabling managers to translate the strategy of BARCO into concrete actions. They have to detect training needs and motivate staff. They are trained in management techniques, communication methods, and how to link training needs to the wider course offerings. Training participation has to be authorised by the line manager.

A final step is an annual survey on employability in which BARCO engages with all staff to explore the concept of employability. The survey focuses on the willingness to engage in training activities, training needs, and mobility. As a follow-up, senior management engages with discussion groups to explore key action points on the basis of the survey. The survey response is normally around 80% of employees (Flemish Government, 2002).

In terms of results, an evaluation in 2002 showed that around 30% of engineers followed a course. However, the age groups 25–29 and 45–54 scored a lot higher than the group 30–45. An explanation could be that this group does not see learning as a key priority or is too busy with family priorities. The evaluation also shows some evidence of lower turnover rates in the 45–54 group since the introduction of the programme (Flemish Government, 2002). The underlying thought is that emphasising training and mobility enables older-age employees to stay motivated and relevant in terms of job skills to the company. Mobility and training also has wider advantages in terms of HR management as close to 50% of positions advertised are filled by internal candidates (Jobat, 2011)

In terms of take-up of the coaching sessions of managers, 57% of managers followed a coaching session and 70% of managers used the new principles actively in engaging with staff.

According to our interviewee, BARCO also uses flexi-work and is exploring the use of sabbaticals. Homework and flexi-work are encouraged as part of the approach to work-life balance, it is viewed as important that workers can combine the commitments of having a family with work, and this is now also increasingly expected from employees. Another reason for offering these possibilities is to increase retention rates, especially in the age group 50+. In addition, it is seen as a requirement for being able to attract the highly skilled in the labour market.

BARCO's HR department would like to introduce the possibility of taking sabbaticals (especially focused on more experienced staff), but at present senior management still has some resistance towards that idea and regulation further complicates its implementation.

The company also has an active but developing prevention policy to preserve their workers' health, notably that of older workers. A number of specific initiatives are in place, including adaptation of tasks and responsibilities, as well as of physical working conditions, and increased flexibility, for example, allowing employees to work from home and flexi-work for certain types of tasks.

In addition, the company has an end of (company) career policy, which includes creating a better work-life balance for workers at the end of their career, reduced working hours or allowing part-time employment. This last measure is not necessarily company specific, but is in line with Belgian government policy on old-age working (see accompanying national report on Belgium).

The respondent emphasised that there is very little influence from policy, from either the Flemish government or at the national government level, on the company's HR practices. The Flemish government does have training programmes for groups at risk, which include older workers and social equity funds, but even though BARCO contributes to these programmes and funds them, it makes little use of them. The reason for this is the administrative burden and the fact that some of the target groups (e.g. low skill levels) are not present at BARCO. Nonetheless, subsidies are available for companies from the Flemish government.

## **Changes in age management policies and practice post-2008**

Globally, BARCO was hit significantly by the financial crisis. In 2009, its sales and orders suffered a significant slump and BARCO posted earnings before interest, depreciation and taxes of -29 million compared to earnings of 68.3 million and 18.1 million in 2007 and 2008 respectively (Annual report, 2009). The loss was the worst on record for BARCO and prompted an overhaul. The chief executive resigned and the company set out to 'right-size' the business by reducing staff, selling of inventories, and refocusing the business. The development of digital cinemas became a key business focus.

In terms of employment, BARCO sought to rationalise numbers and ensure the knowledge base was present to support the development of digital cinema.

At BARCO Belgium, the main effect of the crisis has been to reduce temporary employment to almost zero, mainly through the non-renewal of most employees on temporary contracts (around 80% of whom were blue collar, around 80 people), as well as a collective departure, though without a 'collective procedure' of some 40–50 employees (mainly in middle management functions) (interview), the reduction of temporary contracts has been a strategy BARCO has used throughout the 2000s, for instance when it cancelled 23 temporary contracts in 2005 (Express.be, 26/11/2005).

BARCO managed to avoid a collective procedure because of the structure of dismissals (a mix of voluntary leave packages, individual dismissals, and performance-based dismissals) and the fact that collective bargaining agreement provided for equivalent consultation that would take place with employee representatives. The negotiations also concerned cost savings. The outcome of the negotiations was: a redundancy payment, an additional payment to help with training, a stay-on bonus for employees asked to leave BARCO in the near future, an early retirement arrangement for those over 55, and reductions in the travel allowance for managers. The latter produced a situation whereby the unions were negotiating a package for management who are not represented in the union delegation as explained earlier. In this situation, BARCO agreed to have management delegates to sit in on the meeting (interview with union representative in LBC-NVK Kadernieuws, 2010).

The main measure related to age management was the early retirement provision. In Belgium when restructuring happens provisions can be made for companies in difficulty where the

state pays employment benefits and the company provides for at least 50% of the difference between the unemployment benefit and the former net salary.<sup>1</sup>

There was no specific age profile among employees made redundant and the early retirement provision was only relevant for a handful of employees (interview).

Retention of staff has been difficult in 2008 and 2009. However, staff turnover also increased at the end of 2010 by about 1% before evening out. The respondent felt that one of the reasons was that bonuses had not been paid out. There is a possibility that the people left were those who had already planned to leave but were waiting as a result of the crisis. So staff turnover did go up somewhat following the crisis but there is no age or other profile to it (though there has been a small peak in turnover among those with 3–10 years experience).

To avoid further layoffs the company has also used an ‘internal labour market’ which has helped a further 40–50 people move into different jobs. Open vacancies were also not filled from the outside, but from the inside. A competence profile was established for all those on the internal labour market to assess where they could usefully be re-employed, and in what types of functions. Those who could not be re-employed were either made redundant, left voluntarily through mutual agreement or through other means (retirement etc.). There has not been any impact on age management practices.

However, there has been a positive impact on HR practice. While there was quite a lot of resistance to job mobility (moving between jobs or functions within the company) prior to the crisis, management of the company now sees the positives that may come from it. The crisis has made mobility a true HR and management strategy, especially since mobility has enabled substantial savings by avoiding having to make more people redundant. In addition, mobility is used as a learning tool for the organisation, as it produces ‘better’ employees and reduces turnover rates. Overall, the respondent expresses some disappointment that the crisis, and the job losses it has brought, has not led people to re-adjust their expectations in terms of bonuses and financial rewards, and ‘old habits’ have returned. He would like to look at more creative ways of employee reward and job satisfaction than just through monetary incentives.

The company has not made use of measures the government had made available to deal with the crisis, for example, the creation of a temporary unemployment status for those in management functions, though it was used for blue collar employees (and is still used today for this category of employees) (see accompanying national report on Belgium). There was internal resistance in BARCO for fear of lack of continuity in business practice, and such a measure does not represent structural savings (interview). The company’s own resilience, notably through the growth of digital cinema during the crisis, has also enabled it to weather the crisis and avoid further layoffs or restructuring, and reduce the need to make use of any government measures.

## Summary

BARCO is an example of a company that made use of flexible labour arrangements (temporary contracts) to manage the workforce during the downturn in 2008 and 2009. As such, it did not rely on early retirement provisions and it appears restructuring did not affect older-aged employees in particular.

The central aspect of age management in BARCO is its ‘lifetime employability’ programme. This programme aims to increase skills levels and mobility in the organisation. The evaluation shows good take-up among older workers and some positive effect on reducing turnover rates. It hardly makes use of government policies in this area.

Going forward, the BARCO HR team feels it is important to become more creative, to reform the structure of jobs and units within BARCO. It would also be important to do this for older workers, but at the same time it is important to prepare older workers for this increase in

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<sup>1</sup> Taken from Federal Government employment website, <http://www.werk.belgie.be/defaultTab.aspx?id=743> (accessed July, 2011)

flexibility and mobility, especially in management functions. They often find it difficult to take on a different role where they have less influence and control.

Finally, labour costs in Belgium are very high and the respondent felt that more could be done through fiscal incentives, for example, to reduce some of the financial burden on companies. This would also help older-aged employees who often have some of the highest labour costs.

## Contact person

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