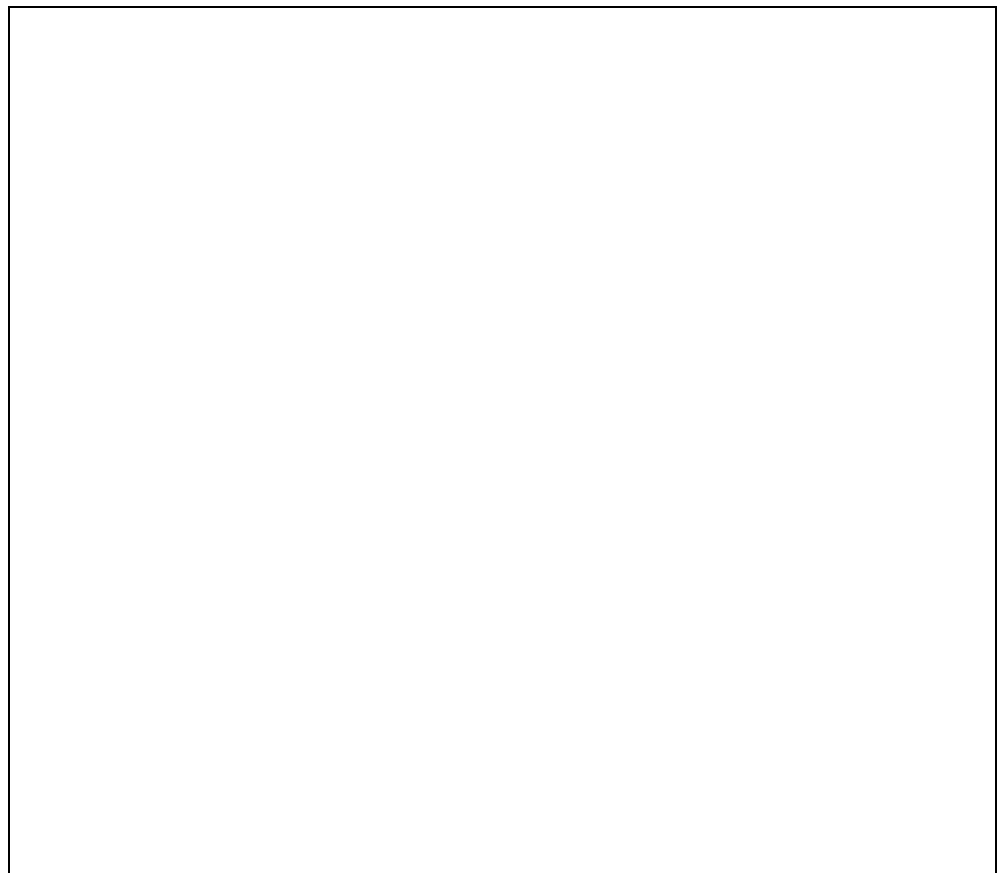




Eurofound

Impact of the recession on age management policies

Case study: Vattenfall Nordic and Vattenfall Services, Sweden



Organisational background

Vattenfall AB was founded in 1908 by the King of Sweden to manage government owned hydro-energy plants, but has since then evolved into one of the largest energy companies in Europe. This case study is concerned with a smaller part of the company, the Business Group Nordic and its subsidiary Vattenfall Services.

Vattenfall AB is involved in the production of energy (NACE code 3511) in, among others, nuclear power plants, hydroelectric power stations and coal power stations. It also manages the distribution of electricity from these stations (Annual report, 2010). The Vattenfall Services part of the Business Group Nordic is mainly involved in the repair and maintenance of infrastructure and production facilities, such as power lines, distribution centrals, switchgear. It is a wholly owned daughter company of the Swedish company Vattenfall Nordic. The Service division delivers services mainly to the mother company, but also to other energy companies in Sweden (interview with HR Business Partner, Vattenfall Services). This legal construction means that the mother company, Vattenfall Nordic, manages strategic HR and overarching staffing and restructuring decisions for all subsidiaries within Sweden, including Vattenfall Services. However, the subsidiaries are responsible for implementation (interview with HR manager, Vattenfall Nordic). Both are covered in this case study.

Employees are represented at all levels of the company, including the boards of the mother company and all subsidiaries. The collective agreements made between employers' associations and unions at a national level stipulate that unions must be informed with regards to matters concerning staffing. In Vattenfall Nordic, this consultation takes place in a group called the 'cooperation council' which includes company managers and union representatives. This group has four main areas of activity:

- youth-related issues;
- age management;
- restructuring;
- skills development.

The group meets every three months and discusses all major issues within these categories (Interview with HR manager Vattenfall Nordic, Union representative, SEKO/European Works Council). In the subsidiary, there is a similar 'cooperation council' where subsidiary managers and union representatives discuss issues relating to that specific subsidiary (HR Business Partner, Vattenfall Services, Union representative, SEKO/European Works Council). A union representative who participates in both of these councils said that the opportunity to influence decisions was important, although the final decision always remained with the employer (Union representative, SEKO/European Works Council).

Vattenfall Nordic had a total of 5,250 employees and a turnover of SEK 45,050 million (€4.7 billion) in 2010 (annual report 2010). The total number of employees has decreased gradually from 2007 to 2010, representing an accumulated decrease in employment of around 6.7% in the Nordic group, as illustrated by Figure 1.

Figure 1: Number of employees in the Vattenfall Nordic (Annual reports Vattenfall 2008-2010)

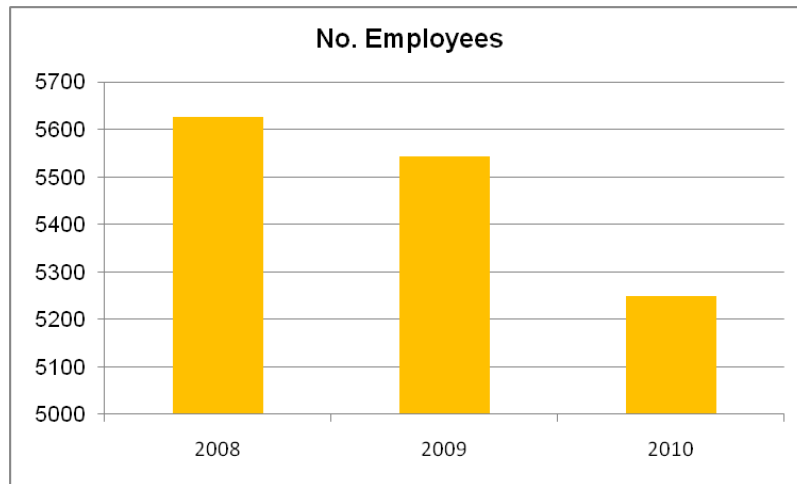


Figure 1: Number of employees in the Vattenfall Nordic (Annual reports Vattenfall 2008-2010)

The company has a large proportion of male workers (Vattenfall Nordic HR manager), and the workers' average age is significantly higher than in an average Swedish company. The age profile of Vattenfall Services workers in 2009 is presented in Figure 2 below.

Figure 2: Age structure of Vattenfall Services workers in 2009 (data submitted by HR manager Vattenfall Nordic)

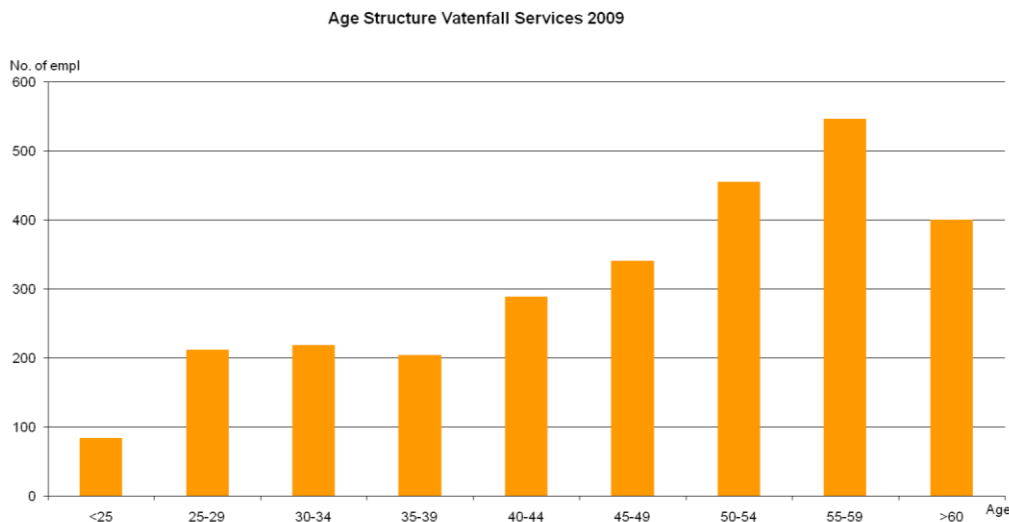


Figure 2: Age structure of Vattenfall Services workers in 2009 (data submitted by HR manager Vattenfall Nordic)

Policies and practice in relation to age management

Vattenfall launched its age management programme in 2001. As an early adopter of such programmes and policies, Vattenfall has been seen as a forerunner in Sweden. It won an Employer of the Year Award in 2006 and received considerable attention in the media for the programme's innovative approach (Mykletun & Furunes, 2009). Vattenfall also sees itself as having well developed age management policies in comparison to other companies and organisations in Sweden. It is often invited to seminars and events to talk about its policies.

The perception in Vattenfalls HR is that Swedish companies started being more interested in age management issues 4–5 years ago, but that actual practical implementation of such age management programmes is only starting now (Vattenfall Nordic HR manager).

The age management initiative at Vattenfall came about at a time when the company had offered a large number of early retirement deals to employees at the end of the 1990s in order to bring new skills into the company. Subsequently, managers noted that employees aged 50 years and older started anticipating another round of early retirement deals and consequently were losing motivation to work. In relation to this, Vattenfall management decided to set the goal that all employees should work to the age of 65 and launched an age management programme as a part of this strategy (HR manager Vattenfall Nordic). The programme has four overarching components:

- motivating the ageing workforce;
- skills transfer;
- the establishment of an internal and external labour market for replacement/outplacement;
- shaping internal opinion positively in favour of older workers. (CAVA Presentation)

Aside from the four categories described, two additional aspects of age management were also identified from the interviews with line management; age-conscious team management, and preventative healthcare (Vattenfall Nordic HR manager). These are described below.

The programme for motivating older employees was launched through a series of ‘57+ seminars’ where 740 workers in the age group 57–65 participated (out of a target group of around 1,200) (Mykletun & Furunes, 2009). The seminars emphasised the important contribution that this age group made to the company and the importance of knowledge transfer to new generations. These seminars were also used for presenting the new age management initiatives (described below). This particular initiative was evaluated by researchers at the University of Stavanger (Mykletun & Furunes, 2009) who concluded that the participants had been satisfied with the seminars and had a new feeling of being needed by the company for their competence and work ability. Employees were motivated by the opportunity to contribute to knowledge handover to younger generations, so that their know-how would not be lost. As a result of the seminars and the measures presented, several participants decided to prolong their careers to 65 years after having previously planned on retiring at the age of 60. Many participants also emphasised the importance of managerial participation and engagement, in participating in seminars and also in the changing attitudes and common understandings created at a unit level. This was perceived to have been of key importance in implementation (Mykletun & Furunes, 2009). The cost that Vattenfall calculated for the seminars was approximately SEK 2,000 per participant (€219). Although cost/benefit analysis is difficult, there is a consensus among managers that savings, increased efficiency and increased retention have far outweighed the financial cost (interview with Vattenfall Nordic HR manager).

Following the 57+ seminars, targeted information measures were planned to disseminate knowledge to managers in the company. These measures were focused on how a range of tools could be used and to promote age and health awareness among employees (Vattenfall Nordic HR manager). The targeted measures included a handbook on ‘age-aware leadership’ as well as training sessions on age awareness and health awareness in leadership. These measures were directed towards three groups of executives: line managers; older managers with older employees; and younger managers with older employees (CAVA Presentation).

HR management within Vattenfall Services confirmed the importance of these targeted measures, citing dissemination to all levels of the management structure as a key factor in implementation. As a result of this programme, managers had a better understanding of older workers’ needs and more awareness of the need for age-conscious management. They also had the tools to help them to motivate older workers more efficiently, such as the 80/90/100 programme (see below). This managerial awareness and toolbox was coupled with a growing awareness among employees that working until 65 was both expected and valued. The

development of this shared belief was something that was seen as essential by managers (HR Business Partner, Vattenfall Services).

The second measure introduced during the 57+ seminars was the 80/90/100 programme where employees can apply to work 80% of the hours for 90% of the wage and 100% of the pension contributions. Employees would apply to the programme and line managers would be able to approve or decline requests. Renegotiation takes place after six months (Vattenfall Nordic HR manager). Experience amongst line managers of the programme has been generally positive, citing higher motivation and fewer days lost to sick leave as key outcomes (HR Business Partner, Vattenfall Services, Union representative, SEKO/European Works Council). The evaluation by Mykletun & Furunes (2009) also showed that the method might have been successful. Managers generally appreciated the programme. They cited more motivated employees as an effect. Better ideas for problem solving and capacity came about. Managers did see an increased administrative and decision-making burden as a negative development. In 2007, around 29% of the target group participated in the programme. This group showed significantly lower sick-leave than the control group and all interviewees claimed that they would continue working until the age of 65. In the subsidiary, Vattenfall Services, 69 employees currently participate in the programme, comprising a little over 10% of the target group. Managers still see the programme as beneficial for workers' productivity (HR Business Partner, Vattenfall Services).

Another concrete measure used within Vattenfall was a programme of skills transfer. Vattenfall have cooperated with the Royal Institute of Technology to develop 'the dialogue method', which is being integrated into Vattenfall's knowledge management system. The method consists of a structured dialogue with experienced and specifically trained secretaries and employees designed to find and document latent professional knowledge that can be handed over to the next generation. This is done through seminars where participants are presented with texts illustrating situations and asking the senior employee to document their knowledge of how to deal with that situation. Knowledge is transferred both directly, through junior employees that participate and hear the senior employee elaborate on the situation in the exercise, and through documentation made by the specially trained secretaries present (Vattenfall Nordic HR manager). Such knowledge transfer has been especially important in businesses such as nuclear power plants, where there is often a five year training period for new employees (Union representative, SEKO/European Works Council).

Vattenfall has also introduced an internal skills shift/reallocation programme for project work, first named the 'Senior Resource Pool' (SRP) and later renamed the Resource Management Center. The original concept was that workers who had difficulties in their normal jobs because of their age would be able to find new tasks through the SRP. Initially this programme has mostly been effective in finding new tasks for older middle managers who wish to leave the management track and go into internal consulting assignments instead. However, it has been ineffective in finding solutions for workers with other skills. To meet this problem, the programme was changed into the Resource Management Centre. All internal and external consulting assignments have to be routed through this Centre to see if internal skills exist before external services are purchased. It has also been extended to include all employees in transition and not just older employees. This change, however, was introduced gradually towards the end of the 2000–2010 decade and no evaluation of the changes has yet been undertaken (HR manager Vattenfall Nordic).

Finally, two emergent strategies that are not discussed as part of the age management programme were identified by line management HR. One relates to the composition of teams, where managers have started considering different mixes of older and younger workers in groups to make it easier for older workers by pairing them with younger, stronger workers who can do heavy lifting. The second one is health and rehabilitation assessment, where a large-scale screening programme was carried out for work-related injuries a few years ago, and older workers with potentially problematic injuries were put into intensive rehabilitation by internal experts. This was followed up through the introduction of a standardised and

annual health screening through structured talks with employees (HR Business Partner, Vattenfall Services).

The effect of this package of measures has been very difficult to evaluate (HR manager Vattenfall Nordic). However, there has been a clear increase in the average retirement age from 58 to 63 between 2000–2008, as illustrated in the graph below (Copied from Internal Vattenfall Presentation, by Mykletun, 2009). However, a part of this effect could be due to the phasing out of a generation of older employment contracts in which employees were classified as government employees (HR Business Partner, Vattenfall Services).

Figure 3: Average retirement ages 1998-2008 (Internal Vattenfall Presentation)

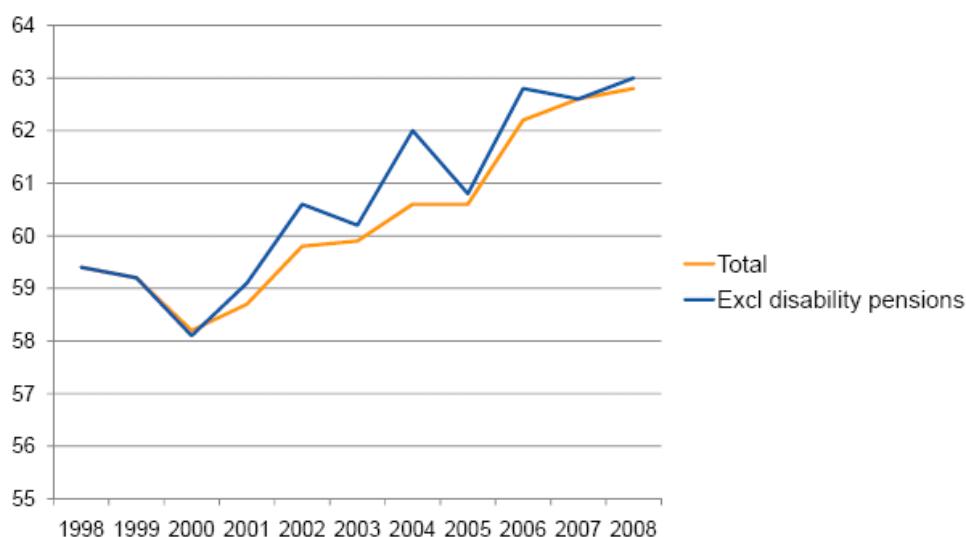


Figure 3: Average retirement ages 1998-2008 (Internal Vattenfall Presentation)

Changes in age management policies and practice post-2008

Vattenfall usually has a delayed response to economic downturns (HR Manager Vattenfall Nordic), which has also been the case during this economic crisis. The company started to implement an efficiency programme in 2010 which is expected to run until 2013. On a company level, this programme has involved a halt to new recruitments and external consulting assignments (Annual report 2010). For the Nordic division there has been a steady decline in the number of employees from 2008 onwards. This is not only due to the financial crisis, but also a part of general efficiency programmes (HR Manager Vattenfall Nordic, Union representative, SEKO/European Works Council).

Vattenfall Nordic has been able to manage almost the entire restructuring through early retirement in a programme running through 2009, 2010 and into part of 2011, internally entitled ‘The offer’.

‘The offer’ was offered to employees aged 60–64 with at least 15 years of service in the company. It comprised early retirement with 75% of previous wage levels. Approximately 150 individuals accepted ‘the offer’ and went into early retirement, comprising about 90–95% of the actual reduction in employees that was needed (HR Business Partner Vattenfall Services). The remaining restructuring required was mainly in support services amongst relatively low skilled and predominantly young staff. These redundancies were preceded by a standard two-stage process used for all redundancies. The first puts employees into the company’s internal job market, where employees are assisted by internal restructuring teams for six months to find new employment within the Vattenfall corporate group, either through geographical transfer or different jobs in the same area. If no employment is found, the next stage is the external job market, where an organisation called the ‘Job Security Council’ (TRR), a cooperative foundation financed by unions and employer organisations, is called in to assist with transitional financing, job coaching and outplacement services. As a result of

this two steps process, almost none of the decreases in employment levels have led to unemployment. Although many declined transfers to different parts of the country, almost all found alternative occupation in the same location though the two stage programme (HR Manager Vattenfall Nordic, Union representative, SEKO/European Works Council)

The financial crisis and decrease in employment by about 360 jobs (approximately 6.4%) in Vattenfall Nordic do not seem to have had any impact on age management practices or policies within the company. All of the programmes are still in place and no changes are expected (HR Manager Vattenfall Nordic, Union representative, SEKO/European Works Council).

Summary

Vattenfall demonstrates several important lessons that could be interesting for other firms. When employees were actively engaged in a project designed for older workers, this in itself stimulates heightened motivation to work longer because workers perceive that they are seen as valuable and important. Thus, raising the issue might make them more of an asset to their company.

Vattenfall's experiences with the 80/90/100 model also suggests that flexible and generous practices in relation to older workers has the potential to raise motivation and productivity that more than repay the costs of the programme.

Vattenfall has also shown how the use of internal job markets and internal resource pools can work as a method for meeting the decline in 'easier' service jobs to which older workers with health issues could previously be transferred.

The HR management at Vattenfall Nordic strongly emphasises the importance of management commitment to get the programme working. The programmes would not have been so successful if they had little top management support, were not long-term programmes, and were not seen as participatory (HR manager Vattenfall Nordic, HR Business Partner Vattenfall Services). However, it also evident that early retirement is still seen as the first option for restructuring whenever possible, avoiding involuntary restructuring.

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