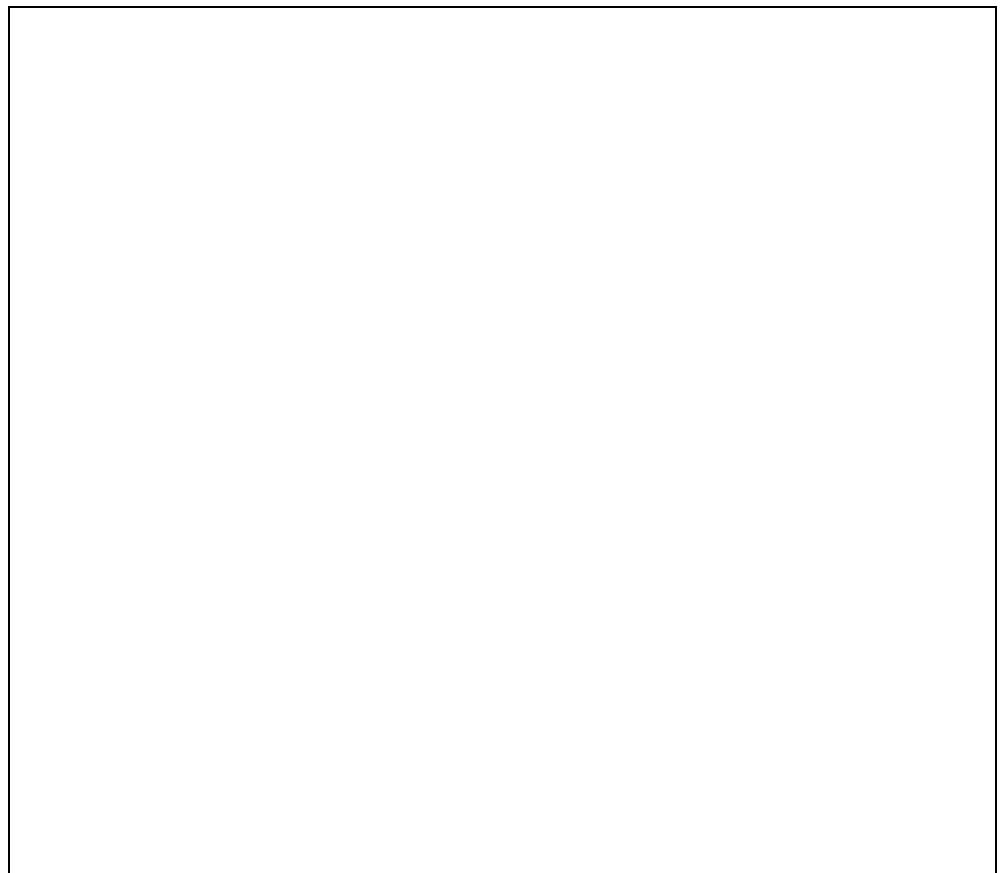




Eurofound

# Impact of the recession on age management policies

## Case study: KPN, the Netherlands



## Organisational background

KPN is a telecommunications and ICT service provider in the Netherlands, offering wireline and wireless telephony, internet and TV to consumers, and end-to-end telecommunications and ICT services to business customers (NACE code is 64: post and telecommunications). KPN offers a broad portfolio of products of different brands serving different target groups. KPN has also a subsidiary called Getronics, a global ICT services company. The KPN Group is present in countries including Belgium, Germany, France and Spain.

KPN started in 1852, as a government-owned company set up to construct telegraph lines. With the introduction of new technologies such as the telephone, KPN became the Netherlands Postal and Telecommunications Services (PTT). Again, due to new technological developments, telecommunication companies were forced to upgrade their lines to carry higher volumes of digital traffic. Due to the enormous investments this required, KPN decided to go private to raise sufficient funds to make the necessary investments. In 1989, the Netherlands Postal and Telecommunications Services (PTT) became Royal KPN Nederland NV (KPN). Several years later, in 1994, KPN was listed on the Amsterdam Stock Exchange and, just over a year later, on the New York Stock Exchange. The State gradually reduced its number of shares in the company.

The total number of employees in KPN Netherlands is approximately 11,000. The average age is around 42.8 years. The majority of workers are men (70%). In 2007, KPN in the Netherlands had an age structure of 3.5% of employees aged between 16–24; 92.1% being 25–54; and 4.4% being 55–65. In companies where KPN was a significant shareholder, the age distribution was 11.1% aged between 16–24; 76.1% between 25–54, and 12.8% aged 55–65 (KPN, 2007). KPN's ventures have a significant proportion of older workers. A variety of policies promoting diversity have been put in place. For example, one objective was to achieve a higher percentage of women at the senior and middle management levels. 81% of top managers and 82% of middle managers are men. One way to achieve this objective was to offer mentoring and career coaching to these selected women. Another way to promote diversity has been to implement procedures under which managers need to be explicit about why they have failed to recruit a woman for the job. The introduction of the New Way of Working has had a positive influence on the flexibility women want (CSR, 2010).

Almost 92% of the employees of KPN Netherlands had a permanent contract in 2010. Furthermore, working part-time is widespread. In 2010, 67.7% worked full-time, and 32.3% worked part-time (CSR, 2010). The average tenure is relatively high, around 20 years. The education profile in the company is relatively wide, with a significant percentage of people having both medium and high educational backgrounds.

In terms of staff turnover in 2010, the equivalent of 1.1% of total employees joined the company and the equivalent of 10% of total employees left the company. This compares to 9.9% and 13.4% respectively in 2009.

Following the Dutch Works Council Act of 1979, all companies with 100 or more employees have an obligation to set up a Works Council.<sup>1</sup> All employee benefits and HR policies are agreed between the Board and the Works Council, where the latter has both a consultation function and a representation function. 95.6% of employees in the Netherlands fall under the collective bargaining agreement (CSR, 2010). It is estimated that up to 30% of KPN employees are members of a union. These members are mostly middle aged and older workers, since union membership is much lower among new joiners and younger workers.

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<sup>1</sup> <http://www.eurofound.europa.eu/emire/NETHERLANDS/WORKSCOUNCIL-NL.htm> (accessed, May 2011)

## Policies and practices in relation to age management

In the Netherlands, until 2008 workers over the age of 52 were entitled to additional holiday entitlements of one day a week. However, as part of the efforts to make employing older staff more attractive to companies, the trade unions agreed that in some sectors older workers should lose their preferential age-related benefits, such as additional holidays. Instead, employers were encouraged to invest more in education and training. In the case of KPN, part of the costs of additional holidays [vacation days] was redistributed to the training and development of employees.

Age management policies at the company level have changed in the last decade, mostly in response to changes in national policy (see accompanying national report on the Netherlands). In fact, early retirement (VUT) was widely used until tax incentives to encourage early retirement were abolished in 2006. Starting in 1995, KPN was moving towards a pre-pension arrangement rather than using early retirement. However, the pre-pension has been gradually phased out and, as a transitional measure, four different early retirement schemes apply depending on age and tenure. These are explained in Table 1. The general gist of these transitional schemes is that fewer employees are now eligible for traditional early retirement.<sup>2</sup> The transitional schemes reflect adjustments in the collective bargaining agreement (CAO) that compensate employees who have become ineligible under the new provisions. As a result, early retirement is not now directly used as a way to rationalise the workforce.

**Table 1: Retirement schemes at KPN**

Name of Scheme	Conditions for participation
Pre-pension transitional provisions for employees born before January 1, 1950: This is a supplementary payment from an employer to an employee's existing pension arrangement starting at the age of 60 (it gradually replaced VUT in the 1990s).	Employees who: <ul style="list-style-type: none"> <li>– were born before 1 January 1950; and</li> <li>– were employed by the employer on 31 March 2000; and</li> <li>– had been employed by the employer without interruption from 1 April 1 2000 until the pension commencement date referred to in the pension scheme rules and regulations of the KPN Pension Fund;</li> </ul>
Transitional provisions for loss of prospect of pre-pension for employees born on or after 1 January 1950: This is a conditional pension (compensation for loss of pre-pension option) offered by KPN to those who work to statutory pension age.	This scheme applies to employees born on or after 1 January 1950 and for whom the prospect of the transitional pre-pension provisions, as included in the Collective Agreement that applied on 31 December 2005, have ceased to apply.  Employees under this scheme are compensated for the loss of the prospect of pre-pension payment.
Voluntary Early Retirement Scheme (VUT): Early retirement option up to 80% of salary.	Applies to employees who were employed by the employer on 31 March 1996 and who: <ul style="list-style-type: none"> <li>– were born before 1 April 1941 or born on or after 1 April 1941 but before 1 January 1950 and had been employed by the employer for 25 years or more on 1 April</li> </ul>

<sup>2</sup> It is hard to say how many due to continuous changes in the KPN labour force. However, some reports put this at 80-90%.

Name of Scheme	Conditions for participation
	1996; and – were employed by the employer from 31 March 1996 until the voluntary early retirement date.
Transitional provisions for loss of prospect of early retirement for employees born on or after 1 January 1950: This is a compensation for up to 75% of value of VUT for those no longer eligible.	This scheme applies to employees born on or after 1 January 1950 and for whom the prospect of the voluntary early retirement transitional provisions, as included in the Collective Agreement that applied on 31 December 2005, have ceased to apply. Employees under this scheme are compensated for the loss of the prospect of voluntary early retirement.

*Source: Source: KPN Collective Agreement<sup>3</sup>*

Although the government is trying to stimulate maintaining older people at work and contracting older unemployed people by offering tax incentives to employers, the interviewee stated that he is not aware of these incentives being used at KPN.

Increasingly the company has been approaching emerging labour market issues such as the ageing workforce from a holistic perspective that responds to both employee and employer demands. The holistic view is supported by the philosophy that employability and flexibility of workers (determined by their health and skills) are important for them to remain competitive throughout their lives in an increasingly and rapidly changing labour market. There are three components to this approach:

- training;
- support for health at work;
- flexible working.

At KPN, training is offered, not only with the perspective of improving productivity and career prospective at the company, but also as an opportunity for people to train for a possible exit situation in the future, whether this exit is voluntary or not. The culture of the company is one where workers are ultimately responsible for their own future, although wide career and training support is available from the HR department. On the one hand, people can access training specific to their job, agreed with the person's line manager and based on the needs identified during the performance review, and depending on the department's budget. On the other hand, each worker (regardless of age and job position) also has a budget of €1,000 per year<sup>4</sup>, which they can spend on any of the courses offered by KPN through a specific training catalogue. They can also access any of the 2,000 e-learning modules developed and freely accessible by the company. This policy reflects the fact that the strategy focuses not only on internal flexibility, but also on external flexibility. KPN does not offer a life-course strategy in training as such, which reflects its focus over the years on efficiency savings through downsizing its labour force (Eurofound, 2009).

Employability is also about remaining healthy. In addition to the standard health and safety policies, several health promotion policies exist, such as offering discounts for the gym, offering free annual health checks at KPN facilities, and promotion of cycling to work.

<sup>3</sup> See also

<http://www.knpnpensioen.nl/werknemers/uwpensioenbijkpn/pensioeninhetskort/overgangsmaatregelen> (accessed June, 2011).

<sup>4</sup> So far, the €1000 for training budget has remained constant since 2008.

Currently, the company is developing a more active programme of health promotion, where both the employer and the employee are responsible for promoting a healthier lifestyle. For instance, the employer would provide certain facilities and resources and the employee would set certain goals on how he/she is going to promote his/her health.

Finally, KPN has been at the forefront of developing initiatives to address the new ways of working agenda as explained below.

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

Although the 2008 recession did not affect KPN too adversely, senior management has set out a multi-year cost reduction up to 2015. In total about 4000–5000 jobs will disappear in the Netherlands between 2010–2015. Since the early 2000s, the company has been looking at different ways to reduce overhead costs as well as labour costs. In terms of the latter, KPN has been reducing its total staff by approximately 7-10% a year. For example, full time employees decreased from 11,944 in 2009 to 11,080 in 2010 (CSR, 2010). Redundancies typically follow the social plan, except in cases of temporary contracts or for performance-related measures. The Social Plan includes the rights and obligations of workers when they are laid off, such as the amount of severance pay and early retirement provision. Furthermore, the company has a so-called outplacement programme, which consists of helping people find a job through a recruitment consultancy agency.

At the individual level, the company is constantly ‘monitoring’ the performance of all employees. If it is felt that an employee is not complying with the quality required by company policy, employees are asked to discuss their future career in the company. In cases where performance is unsatisfactory over a period of time, disciplinary action is taken that can lead to dismissal. During the restructuring of the company, a number of people (50-70) were dismissed using this option in 2010.

In addition to forced redundancies, other methods of rationalising the workforce have included relocation of labour, outsourcing and eliminating temporary contracts. No specific information was available on the number of people involved in each of these pathways in recent years.

With regards to the age structure of dismissals, the interviewee pointed out that young people were mainly dismissed through not renewing their temporary contracts. The number of older people dismissed mirrored their overall proportion in the company’s age structure. In fact, under Dutch law, companies have to spread redundancies across all age groups to reflect the age profile and gender of the company. Another rule to be followed in collective dismissals is the ‘LIFO’ rule (last in, first out), which tends to favour older people, as this age group is usually the one with the longest tenure at the company.

After the recession, trends such as the expectation that the retirement age will be increased for the next generation of workers and the prospect that the labour market in the Netherlands is most likely to shrink in the next few years have confirmed that the company should keep focusing on a strategy that supports the employability and mobility of workers. At the policy level, employee and employers’ discussions have been focused less on retaining jobs and more on building on employability and mobility of workers as a response to changes in the labour market. Many of the themes and approaches in age management policy in the Netherlands are shared among large employers and reflect the significant role of employer and employee representatives in creating policy platforms in response to government priorities. These include themes such as ‘inzetbaarheid’ or sustainable employment (see the case study report on DHV).

Since 2009, KPN has also been focused on the New Way of Working (NWW) as a way to promote a better work-life balance enabling employees to work participate irrespective of time and place. In terms of age management policy, KPN acknowledges that lack of flexibility in planning work is a key factor in older employees leaving the company. It sees NWW as key in giving those close to retirement more flexibility in planning and organising their work. NWW is seen as a direct response to the changing labour market.

NWW contributes to a number of outcomes. Firstly, a better work-life balance is expected to lead to a healthier workforce (hence contributing to employability). The assumption (also proven in research) is that workers are more motivated, consequently impacting on worker's emotional and physical well-being, and hence impacting on the company's bottom line by improving productivity. Secondly, NWW aims to benefit the environment. Remote working, teleconferencing and other ICT solutions allow working from anywhere, thus reducing CO2 emissions and travelling costs. Thirdly, NWW saves the company overhead costs by reducing the cost of facilities.

NWW calls for a different working culture, and hence for a different management style and different skills. To facilitate this new way of thinking, KPN organised courses for managers to familiarise themselves with NWW. Furthermore, NWW requires investments in infrastructure and technology to develop the virtual workplace and new ways of working together. In 2010, 74% of KPN employees were issued with video-conferencing cards, 15,000 videoconference meetings were held, and 9000 flex-desks were installed (hot desks) (CSR, 2010). The first results are: (Topdesk magazine, 2011)

- 15% more use of IT, using chat functions and conference calls;
- 62% of employees working from home;
- 30% loss of physical work space;
- 59km less travel per member of staff; and
- Increased employee satisfaction.

NWW is also being evaluated by the company through a survey sent to all employees. The result from this survey is expected to be published in the second half of 2011. The outcomes of the survey may reveal what impact NWW has on the ageing workforce.

Starting in 2009, the company has also been developing more active age related policies. These types of policies are currently being discussed with trade unions. These active age related policies focus on HR policies that reflect a more life course oriented approach focusing on the needs and circumstances of people at the four different stages of life: the start of a person's professional life (mainly learning), being young parents, maturing one's professional career, and approaching the retirement age. They would involve a range of approaches including training, information provision, and potentially financial incentives.

## Summary

Before 2008 the older workforce benefitted from extra days of annual leave, as well as from tax incentives that made early retirement more attractive. However, over time, these policies have been gradually abolished. The prospects of an increase in the old-age dependency ratio and the impact this may have on the public finances, and on potential shortages in the labour market in the medium and long-term, has led to an ongoing social dialogue that will most likely lead to an increase in the retirement age. This, together with the demands of the labour market, are gradually leading to the realisation by both employers and workers that focus needs to be directed towards employability and mobility both inside and outside KPN. The employer is contributing by offering programmes to prevent health problems, such as paying for the annual health check, and by offering training and development programmes for all age groups and categories. News Ways of Working is also a key aspect of KPN's HR strategy. It aims to help people find a good work-life balance while at the same time contributing to solving the issues of mobility. KPN finds that lack of flexibility in the planning of work is a key factor in older employees leaving the company.

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**EF/11/75/EN-20**