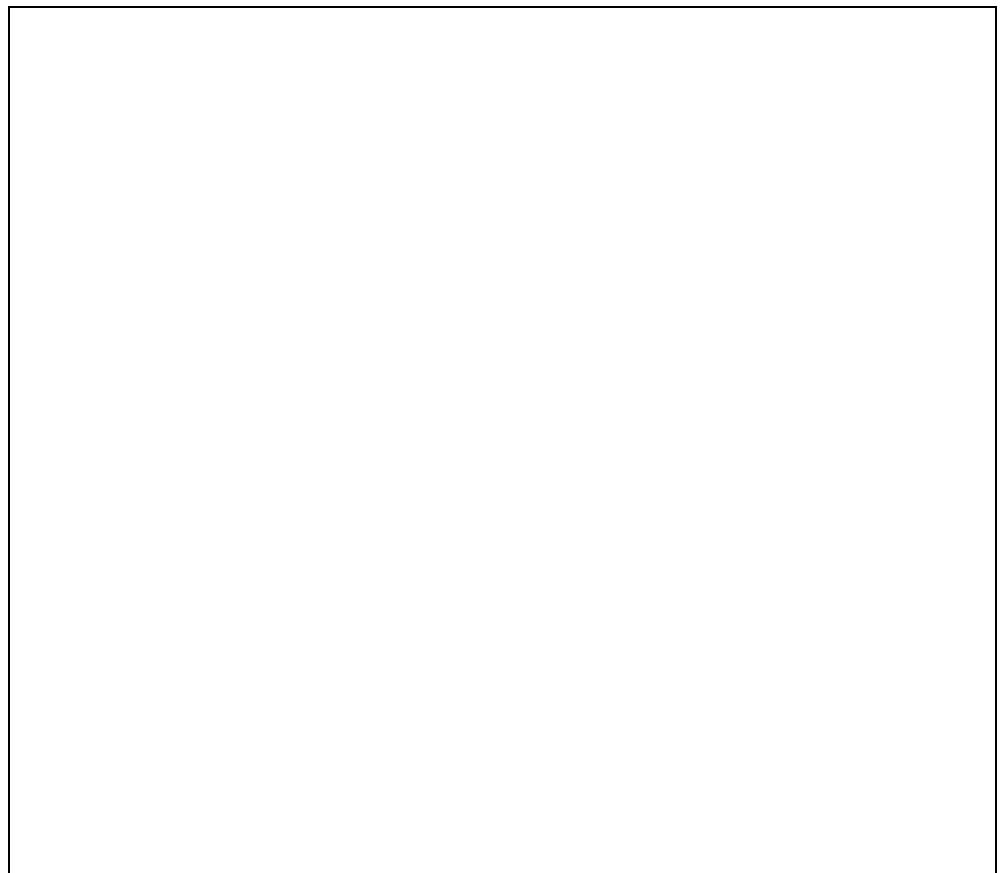




Eurofound

# Impact of the recession on age management policies

Case study: Borealis Agrolinz Melamine GmbH, Austria



## Organisational background

Borealis Agrolinz Melamine GmbH (BAM) produces melamine<sup>1</sup> and fertilizer and thus is part of the NACE section DG, code 241, manufacturer of basic chemicals. BAM is part of the Borealis Group, which is a multinational company with currently about 5,215 employees located across Europe and in North and South America. The group is owned by the International Petroleum Investment Company (IPIC) of Abu Dhabi, which holds 64% of the company, and by the OMV Aktiengesellschaft, which holds 36%. OMV is the leading oil and gas group in central Europe. The IPIC is the dominant partner given that it holds another 20% of the OMV. Another major shareholder of OMV is the Austrian Industry-holding Stock Corporation (Österreichische Industrieholding AG, ÖIAG), which administers the investments of the Republic of Austria in partially or entirely nationalised companies (interviewee 02).

Borealis was formed in 1984 by merging the petrochemical and polyolefins businesses of Neste and Statoil. At that time, the head office was located in Lyngby, Denmark. In 2005, IPIC and OMV agreed to purchase Statoil's 50% shareholding in Borealis. One year later, in June 2006, the headquarters was relocated from Copenhagen to Vienna. Agrolinz Melamine International (AMI), formerly Chemie Linz, was owned by the Austrian government until it was privatised and acquired by OMV in the early 1980s. AMI produced melamine and fertiliser. In 2007, IPIC and OMV announced the incorporation of their respective 50% shares of AMI into their joint subsidiary Borealis. The integration of AMI into Borealis began at the end of 2007 and was completed in 2009. The subsidiary was renamed Borealis Agrolinz Melamine GmbH and was legally nominated as a private limited company. The headquarters of Agrolinz Melamine is in Linz, Austria, with further units in Germany and Italy. The company reportedly was the melamine market leader in Europe in 2010 (Borealis Group, 2010). Our case study focuses on Borealis Agrolinz Melamine GmbH or BAM, which is the official acronym.

In 2011, BAM employed 759 people with an average age of 42.11 years. The vast proportion of employees (683) are male, about 90%. More than half (392) are full-time employees and 367 are working part-time (interviewee 03). The group of part-time employees also includes about 300 blue collar and 60 white collar workers working on the five-shift model (see below for details). All shift workers are men. This group is particularly important for age management at BAM as shift work – particularly night shifts – become more physically demanding with increasing age. The classic career of a shift worker at BAM starts at the age of 15 with an apprenticeship of about 3.5 years' duration. Every year, 6 to 8 former apprentices start working for BAM right after their vocational training, which is the majority of all apprentices. Staff turnover is low. This also means that, in the near future, a number of employees will reach retirement age (interviewee 02 und 03). BAM only has age structure available for white collar staff (see below).

BAM has a works council as is normal Austrian industrial practice, required by law, meaning that it has employee representation consisting of five employees who are elected to the council. It has a consultative function and some powers with regards to major economic and financial changes in the company, where if major differences exist between the works council and employer, an external conciliation body becomes involved.

Borealis also has a Corporate Cooperation Council in response to the requirements of the European Works Council Directive. It provides an open forum consisting of senior management and two employee representatives per country where Borealis employs over 300

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<sup>1</sup> Melamine is an organic base that is used to produce melamine resin. Melamine resin is a particularly durable material and can easily be molded while warm. Uses for melamine include whiteboards, floor tiles, kitchenware, fire retardant fabrics, and glues.

people. The objective of the council is to create and maintain good relationships between the employer and employees, to review the progress of the company, and to discuss major economic and financial changes affecting the company (e.g. restructuring). It meets six times a year and costs are borne by the company.<sup>2</sup>

## Policies and practice in relation to age management

While age management at the Borealis Group has always made use of generous regulations for early retirement – particularly at BAM and its predecessor AMI – there has also been a movement to maintain older workers in the workplace by creating sustainable work processes and adapting work practices to take into account employees' needs. For this purpose, AMI, the predecessor of BAM, introduced a 'productive ageing programme' in 1997 (see Eurofound 2009 for details). This programme reviewed working conditions for older and younger shift workers, provided health training, and helped to adapt the environment ergonomically. This programme has paved the way for the introduction of the five-shift model.

A major change in age management practices was the introduction of a new shift model, initiated by the workers representatives in collaboration with the Austrian Chamber of Labour in 2001/02. The aim was to ease the physical burden on workers and to improve their living and working conditions. The changes included:

- a switch from a four shift model with frequent shift changes and interruptions to a five-shift model with continuity. Table 1 shows the regular five-shift model (i.e. working five-shifts followed by a shift break) at BAM in more detail.

**Table 1: Five-shift model at BAM**

Day	1	2	3	4	5	6	7	8
	early	early	mid day	mid day	night	free	free	free

- those employees who started to work at BAM before the introduction of the new shift model were compensated for the resulting cut in their weekly working hours. These workers receive payment for 36 hours while now working a little less than 34 hours.
- a reduction of weekly work time from 38 hours to 33.6 hours.
- reduction of night shifts from between three and five in a row to a maximum of two.
- shift breaks increased to up to four days after five or six days of work.
- every shift worker now has two weekends per months off (increased from one weekend off every six weeks), either Friday to Monday or Saturday to Tuesday.

Reaction from employees to the new work model was very positive, increasing job satisfaction considerably and lowering rates of absenteeism (interviewee 03). An early evaluation of the shift reform programme in 2004 shows that aside from enhancing sleep quality and making recovery from night shifts easier, the general ability to work improved (by 20%), particularly among those aged 50 years and over (Eurofound 2009). The five-shift model is very important particularly for older workers, as it enables them to better maintain their health and to recover from shift work (interviewee 02). At the same time, the model also serves to prevent work-related illnesses. Thus it also makes shift work more attractive to younger workers, which again is an advantage for BAM when recruiting on the labour market. Though the model remains largely unchanged from its original form, there is some discussion about an adaptation of the shift schedule to improve flexibility in 2011 (interviewee 03).

<sup>2</sup> See <http://www.euro-ce.org/pdf/pdf%20english/borealis.pdf> (accessed September, 2011).

The shift model reform was supported by the productive ageing programme (interviewees 01 and 02, Eurofound 2009). Ergonomic improvements included reconstruction to improve climatic and other working conditions. Furthermore, special health training was provided, particularly adjusted to the needs of night-shift workers. A fitness centre was established at BAM premises which is open around the clock. Other fitness training programmes offered by BAM include gymnastics and organised running and walking courses. Rooms were established for recreation and relaxation. The canteen started to offer healthier choices and cooking courses were either offered to employees or attendance was subsidised (interviewee 02). All these measures, including the productive ageing programme and the five-shift model were supposed to delay (or replace) early retirement decisions of elderly workers. However, early evaluations of the programme show that workers are as likely to consider quitting the job or take early retirement as they did before the reforms (Eurofound 2009).

At the same time, BAM makes use of several provisions for early retirement (Frühverrentung) and increasingly also of part-time work models for partial retirement (Altersteilzeit). On top of the numerous options for early and partial retirement available in Austria (see national report, section **Error! Reference source not found.** for details), BAM is obliged to insure employees who engage in heavy physical work at night under the Heavy Night-work Act (Nachtschwerarbeitsgesetz, NSchG). To insure under this scheme, employer and shift workers pay into a separate fund. The contribution amounts to 2% of the taxable wage base and is calculated in line with social insurance legislation. The benefits include top-up pension payments equivalent to invalidity pensions.<sup>3</sup>

Aside from additional retirement pension payments, the insurance provides other special protective measures and also compensates for particular hardships. Potential benefits cover, for example, supplementary leave, additional breaks and special pensions. This scheme allows early retirement from the age of 57 onwards, provided that the applicant has worked 20 years in a shift model or 15 years in a shift model that includes night shifts. At BAM many blue collar workers retire early based on this regulation, while white collar workers, if retiring early, tend to claim pensions based on the duration of their life-time gainful employment (Hacklerregelung) (interviewee 02). The Hacklerregelung allows for early retirement starting from the age of 60 years on.

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

While the Borealis Group had a very prosperous year in 2007 and showed good performance in 2008, the economic crisis affected Borealis 2009, causing a significant downturn in consumer and industry demand (Borealis Group, 2011). Table 2 shows the net gains by the Borealis Group for the past four years (BAM did not give numbers).

**Table 2: Net profits at the Borealis group 2007–2010, in €millions**

	2007	2008	2009	2010
net profits in € million	533	239	38	333

In 2010, BAM received an investment of €145 million from its owners to modernise its facilities in Linz. This step had become necessary as large parts of the industrial plants had to be replaced to make the company competitive. At the same time, media reported the need for major workforce cuts by 2013. In order to reduce fixed costs, there was a need to reduce the workforce from 800 to 700 (Der Standard, 2010). However, until spring 2011, all staff reduction has taken the form of natural attrition through retirement at the statutory age, early retirement or partial retirement (all interviewees). In 2009 and 2010, 40 to 50 workers retired each year (interviewee 02). Most of these have made use of early retirement regulations either based on the Heavy Night-work Act regulation or on the Hacklerregelung. As a result, the

<sup>3</sup> See for details <http://www.arbeitsinspektion.gv.at/NR/rdonlyres/3A03B016-CD76-4CF3-8F87-9067EB39B223/0/Nachtschwerarbeitsgesetz.pdf> (accessed May, 2011).

number and percentage of older employees has decreased in recent years. Amongst white collar workers (see Table 3), the percentage of those aged 51 and over among all employees decreased from 35% in 1993 to 30% in 2009. Since then, however, their number is increasing again, leading also to an increase of their share on the entire workforce of BAM to 32%.

**Table 3: Age structure of white collar workers at BAM (1993, 2009, 2011)**

Age group	1993		2009		2011	
	Number	Percentage	Number	Percentage	Number	Percentage
<i>Total</i>	362	100	348	100	354	100
up to 30 years	75	21	47	14	46	13
31-40 years	46	13	81	23	81	23
41-50 years	110	30	117	34	113	32
51-60 years	115	32	95	27	104	29
61 years and above	11	3	8	2	10	3
n.a.	5	1	-	-	-	-
51+ years	126	35	103	30	114	32

According to the interviewees, no social plan was or will become necessary in the aftermath of the financial crisis to reduce the workforce (interviewee 02, 03). In addition to early retirement, partial retirement models have been increasingly used. Currently this option is available for workers from the age of 58 for five years. As mentioned in the national report, the legislators' intention is to create more attractive working models, where the regular working time is halved during the entire partial retirement phase (continuous model). At BAM, as is the case in most firms, the block model is favoured, where the partial retirement phase is divided into two parts of equal duration, a working phase with regular working time and a spare time phase. About 95% taking partial retirement chose the block model. In 2010, a major agreement between the social partners on the framework for partial retirement confirmed the use of the block model and gave rise to more partial retirement (interviewee 03).

Another policy supporting age management is to use skills development and training in order to adapt workers to new work-related, mainly technical, innovations. On top of legal requirements such as mandatory educational leave, every employee is eligible for training measures worth the equivalent of €1,000 per year. Some function levels have training budgets above that amount (interviewee 02). In 2011, there is a particular emphasis on skills and training from the employers' side targeted at all employees (interviewee 03). Examples of skills improvement measures are the introduction of a Technical Training Organisation and the involvement of a Technical Trainer within each department. The Technical Training concept also implies the transfer of knowledge from older to younger workers. A major concern for employer and worker representatives alike is how to integrate time for training into the shift schedule (interviewee 03). Employers, workers representatives and employees are in a constant dialogue to guarantee the continuity of the planning.

## Summary

Demographic change and projected changes in partial retirement regulation will lead to an increasing employees' age at BAM on average. This is putting particular challenges on age management. All interviewees agree that training and skills development of workers is key to prepare the company to future developments. It is not only important to achieve a high skills level through training measures, but also to provide for a transfer within the workforce, in particular from older to younger workers. This is implied in the Technical Training concept

and fostered by the employer's efforts to appoint replacements for positions becoming vacant at an early stage (interviewee 03). From the perspective of management, the additional administrative burden and knowledge transfer can lead to resistance. Also, the reconciliation of training and work requirements is not always straightforward. It is therefore essential that employers, employees and workers' representatives work closely together and are willing to achieve a solution since these changes require concerted action (interviewee 03).

A particular focus of the coming years should be to undertake successful conceptualise a late career management in order to make use of the know-how elderly workers have acquired. This should be accompanied by a shift in organisational culture to clearly recognise the added value of ageing for an organisation (interviewee 01).

Finally, all age management initiatives should include related health-promoting and illness-prevention measures. The continuous model of partial retirement is considered an appropriate measure to provide for a smooth transition from work life to retirement and should not be dismissed, but even made more attractive by policy makers. At the same time, options should be provided for those who are above statutory pension age and still want to continue working (interviewee 02).

## Contact persons

Helmut Peter Stieglbauer, Chairman of the works council, Borealisgroup

Karl Leonhartsberger, Chairman of the works council for salaried staff members Borealis Agrolinz Melamine GmbH

Christian Schatz, Country HR Manager Central Europe, Borealis Agrolinz Melamine GmbH

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Mirella Cacace, RAND Europe

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