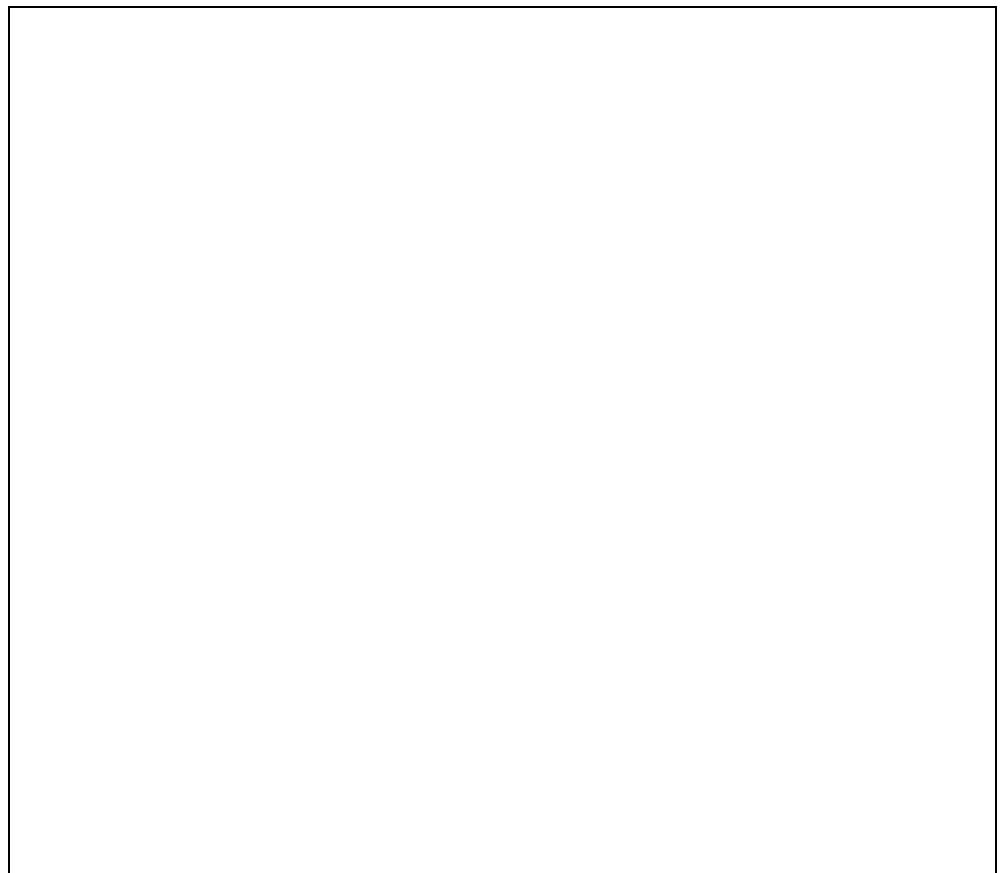




Eurofound

# Impact of the recession on age management policies

## Case Study: Abengoa, Spain



## Organisational background

Abengoa is a Spanish multinational corporation that provides services in energy and environmental sectors. The company has a range of products and services channelled through different group businesses: solar energy, bioenergy (especially bioethanol), water and waste treatment, IT, engineering and industrial construction (NACE codes 45: Construction and 73: Research and development). Abengoa regularly invests in research, development and innovation. Abengoa spent about €92 million (about 2.2% of total revenue) in 2010 on research and development and in total about 580 full time equivalent staff were involved with research and development activities (CSRR, 2010).

Abengoa has its headquarters in Seville (Spain) and has a presence in over 70 countries around the world. The company has approximately 27,000 workers worldwide. Of the global workforce, 6,000 of the employees are engineers, 2,000 have tertiary education other than engineering (e.g. business administration, physics, etc.), and 5,000 have other technical backgrounds.

In Spain, Abengoa employs approximately 10,000 people. Of the employees in Spain, slightly over 60% of the workforce is on permanent contracts and the others are on temporary contracts. The average age is approximately 37. Overall, 29% of the workers are women, and 71% are men. Table 1 shows the age profile. Overall, the age group 50 and over has decreased slightly between 2008–2010. Voluntary departures or turnover are comparatively low at about 1.5% year on year.

**Table 1: Employees' age structure**

Age group	2010 (%)	2009 (%)	2008 (%)
20–30	30	29.4	29.6
31–40	36.1	36	35.6
41–50	20.5	21.1	20.1
51–60	10.9	11.2	12.2
60+	2.5	2.3	2.5

*Source: Abengoa*

The works council represents the interest of the workforce. There are a total of 25 work councils at Abengoa, one for each of the company's work places. The members of the works council are elected every four years, with a total of 128 representatives. Anybody in the organisation can present their candidacy to be elected for the committee. Hence, it is not necessary to be member of a union. In fact, there are only 297 records of people affiliated to a union across Abengoa Spain. Each works council follows the conditions set out in the relevant collective agreement, which differs depending on the activities defined for the companies in Abengoa. Hence, the collective agreement covering the working conditions of the company can be either the national collective agreement for the chemistry sector, the provincial collective agreement for the metal sector, the agreement for the engineering sector, or the collective agreement for the office sector. The collective bargaining agreement regulates every aspect of employment (wages, hours, breaks, vacation, leave, working conditions, vocational training, dismissals regime, definition of occupational categories, etc.) and determines the rules for the relationship between unions and employers (representatives in the workplace, information and consultation, licenses and permits for trade union, etc.). This agreement applies to all workers, even those not affiliated to the union. The individual contract signed with each worker can be improved on an ongoing basis (more pay, more

breaks, etc.) but it can never make conditions worse than those set out in the collective agreement.

The company follows certified standards in the areas of quality management, environmental management, occupational risk prevention, and related social responsibility (CSRR, 2010).

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

There are two approaches to age management at Abengoa. Firstly, Abengoa has HR practices and policies that promote the employability and mobility of all workers (although these policies apply to the whole workforce, regardless of age). These policies enable employees to remain in the job market and also help to prolong their working life. Secondly, the organisation has specific age management policies including partial retirement policies.

The company's overall HR strategy is to contribute to the employability of employees through investing in staff training and development, thereby increasing their current and future employment opportunities whilst also achieving the strategic objectives of the company. Its main focus is to improve internal mobility and ensure that the skill set of staff stays relevant to the needs of the organisation over the life course of employment. Training provided for employees are in general in alignment with the objectives set for individuals during their annual performance review, which are in turn aligned with the strategic objectives of the company. During the performance review, the objectives for each job position are measured against the skills and knowledge of the worker. Any gaps identified provide an input into the development of a personal development and training plan.

Abengoa's commitment is reflected in investment by the company in more than one million hours of training (worldwide), with an average number of training hours per person in 2010 of 46.2 (CSRR, 2010) (see Table 2). The company offers a range of different types of learning opportunities and a wide range of courses are offered to develop specific as well as generic skills:

- Corporate training, focusing on transmitting the strategy, values, and working practices, management systems to employees and managers;
- General training, focusing on the professional improvement of employees, through knowledge of new working tools and techniques;
- Training in occupational risk prevention;
- Language training, a key component in Abengoa's development as a multi-national company;
- Professional practices, promoting knowledge development and new competencies.

These are offered through a variety of approaches including on-line courses, attendance-based courses or a combination of both. Campus Abengoa, an e-learning platform, was launched in 2007 and has become successful as an on-line tool mainly used for corporate training and training on risk prevention. A number of professional programmes are attendance-based and mainly geared towards directors and managers with the purpose of developing managerial capabilities such as leadership skills. The main aim is to develop staff and ensure that the skill sets of employees, including those of older workers, remain relevant to the company.

**Table 2: Number of training hours and participants worldwide in 2010**

Training	Hours	Participants
Corporate	194,566	80,920
General training	260,918	53,217
Occupational risk prevention	303,624	345,211
Language	96,591	3,091
Professional practices	351,476	676

*Source: Abengoa*

Furthermore, in 2011 the company has been developing the intangible concept of ‘University Abengoa’, which brings together all the training needs that are necessary or critical to meet the strategic objective of the company. To respond to these training needs, Abengoa has made agreements with several universities such as Georgetown and Santa Clara in the United States, with the University in Mexico City, the University of Pacifico in Lima, Peru, and universities in Rio de Janeiro, Mumbai, and Abu Dhabi (with INSEAD). In Spain, several agreements exist with universities such as Loyola and ESADE.

To develop a workforce that will contribute to helping people prolong their working lives, the organisation also invests in supporting the workforce to stay healthy. The company has an occupational risk prevention policy. This policy results in a number of associated activities in addition to staff training about possible risks, including specific prevention activities, and the monitoring and controlling the correct implementation of health and safety conditions, regulations and policies. The Social Responsibility Report of 2010 suggested that, in general terms, the company has lower absenteeism rates compared to other companies in similar sectors, 1% of total workdays compared to an average for Spain of 2%<sup>1</sup>. Labour-related accidents account for 0.25% of total lost workdays. The company also recognises that emotional and mental stress brought on by different personal factors (both work and family-related problems) can have consequences on employees’ health. To combat these health problems, the company offers on-site medical facilities, training programmes and informational talks.

To contribute to a healthier workforce whilst retaining talent, the company has been implementing policies to favour family and work-life balance. Work schedule flexibility appears particularly relevant to older employees and employees with children. Abengoa has come up with a range of work schedules with established different alternatives for starting times, lunch-time and ending times. This allows employees to select the schedule that best suits them. Some evaluations have suggested that older workers and employees with families take up these offers more than other groups.

At Abengoa (and in Spain generally), employees legally have the option to work part-time if they want to, which can be particularly helpful for older workers as they reach retirement age. However, part-time work is not common practice in Spain and only around 5% of the male workforce work part-time compared with 23% of the female workforce (Eurofound, 2011). At Abengoa, there were 321 people working part-time (less than 1% of the workforce), of whom eight people were over the age of 50.

Our interviewee noted that every two years Abengoa surveys its employees. The survey questions ask about company expectations, satisfaction with training and development, and satisfaction with the leadership style. The aim is to develop a map of the satisfaction of people

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<sup>1</sup> Please note that the definition of absenteeism in Spain is not homogeneous, hence, this figure should be interpreted with certain caution.

within the company to identify the areas where action is needed. For example, one of the outcomes is that those over 50 and under 30 have higher satisfaction rates than other groups. Abengoa feels that the satisfaction of older employees can be linked to efforts to tailor ‘employability’ programmes to an individual to ensure that their skills remain relevant to the organisation. In addition, this can encourage employees to remain with the organisation until retirement age.

Workers at Abengoa retire at the legal age of retirement, which at the time of writing is still 65 years (although following a new law approved in early 2011, the retirement age will increase gradually to 67 years from 2013 to 2027: see accompanying national report on Spain). Take-up of early retirement has been very low and has in general been due either to personal circumstances (such as disability), or when the company has had to go through a major restructuring process. In all circumstances, early retirement needs to be agreed between the management and the individual worker.

Table 3 shows how many people retired in the period 2007–2011. The table also shows how many people accepted a partial retirement arrangement. Partial retirement here refers to ‘partial retirement with a take-over contract’. Under this sort of contract the worker reduces working hours to a total of 15% of normal hours, meaning they get 15% of their previous salary from the company, and a (partial) retirement pension. However, the employer needs to fill the partially left job vacancy with a new full time contract, generally employing a young worker. The statistics for Abengoa Spain show a steady rate of individuals retiring and an increase (almost doubling from 2008 to 2010) of those using partial retirement.

**Table 3: Number of employees retiring in Abengoa**

	Total number of people retiring	Partial retirement (with take-over contract)
2008	27	32
2009	28	42
2010	25	65
2011	21	63

Source: Abengoa

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

Since the global financial crisis, the company has done relatively well overall. Sales have gone up, and turnover has improved. These positive results are partially explained by the fact that the company operates worldwide and has regional branches in countries where growth has been high, such as in India or Brazil. Furthermore, Abengoa is a technology and innovation company selling high value-added products and services, and therefore it has not been hit by the economic crisis to the same extent as other sectors, such as construction and retail. The net total number of employees has increased by 5% annually since the crisis started in 2008.

However, in some plants and in certain sectors, the company has had to restructure the business. The crisis has affected some parts of the business in Europe. This was particularly the case for industrial waste management which was heavily dependent on the construction sector. As the construction sector declined, Abengoa had to restructure in certain areas and therefore needed to consider collective dismissals. The first option to reduce the total workforce was to not renew temporary contracts. Most of the employees on these contracts in this situation were young people. A second option commonly used to reduce the total workforce is offering voluntary redundancy with a generous financial package to people who are approaching the legal age of retirement. These options are generally less traumatic than options such as forced lay-offs. Other less used options have been redundancies with rehiring,

where people choose to leave the company voluntarily for a period of time while receiving unemployment benefits. However, this gives workers the possibility of returning to the same job without losing any of the benefits/ conditions they had previously. In total, 101 people were affected by restructuring in 2009 and 47 people in 2010. Abengoa did not have available specific data on the age profile and gender of these individuals (interview with Corporate HR Director). However, the sense was that there was no specific age profile in dismissals.

## Summary

Abengoa is a company highly dependent on the talent of its workers and therefore the company is aware of the need to have policies in place that invest in people and promote employability. By following the objectives identified in workers' performance reviews, employees receive regular training. Employability is also about a healthy workforce, and as such, Abengoa promotes exercise and healthy eating programmes and offers the possibility of a flexible family and work-life balance. These policies all contribute to retaining and prolonging people in the labour market.

The financial crisis has not affected the company on an overall corporate level. Turnover and number of employees has increased. However, certain businesses more dependent on sectors such as construction have been forced to reduce their workforce. People on temporary contracts are legally and economically the easiest to make redundant and hence are the first target group when the workforce is reduced. Depending on business needs, workers approaching the retirement age may also be a potential target group for redundancy. By offering partial retirement, the company can reduce the size of the workforce in a less traumatic way and transition older employees into retirement. Partial retirement is common practice in Spain (see accompanying national report) and its use in Abengoa, though minor, has doubled in the period since the economic crisis.

## Contact person

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