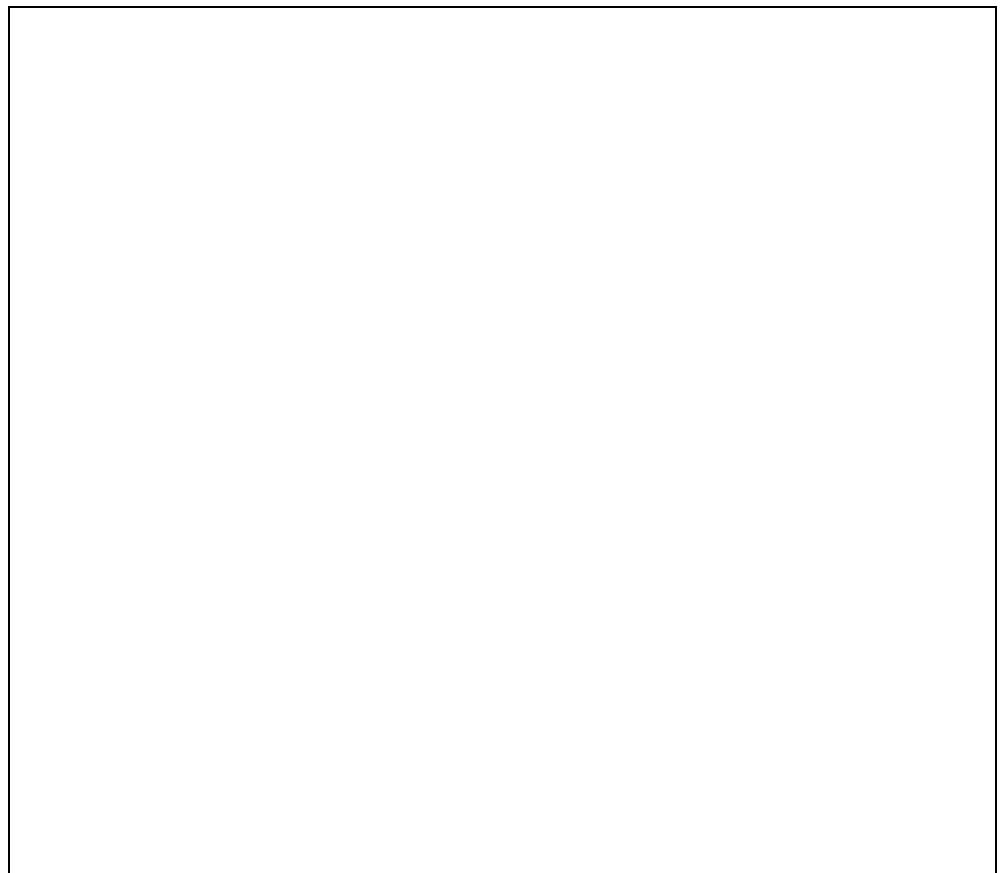




Eurofound

Impact of the recession on age management policies

Case Study: DHV, the Netherlands



Organisational background

DHV is a Dutch consulting and engineering company. It is headquartered in the Netherlands, and is part of the DHV Group which maintains a network of 75 offices worldwide in countries including China, the Czech Republic, South Africa, Poland, Portugal, India, and the United States.

The company provides consultancy services and innovative solutions in general buildings (design, construction and renovation of offices, schools, residences, healthcare institutions, etc.), manufacturing and industrial processing, water, transportation, urban and regional development, and environment and sustainability (NACE 7415: Management activities of holding companies). The range of services covers the entire project cycle, including management consultancy, advice, design and engineering, project management, contract management and asset management. The main clients of DHV are governments, public sector organisations, industries and international development agencies.

The company was founded in 1917. Activities in the early years were mostly related to water management.¹ In the 1980s, DHV started to concentrate on overseas growth.

The great majority of its employees are people with higher education, generally highly qualified consultants or engineers. It employs about 5,700 employees (DHV, 2010). Approximately 2,400 people work in DHV in the Netherlands, and another 3,300 people in its various offices around the world. Of the employees in the Netherlands, the average employee age is around 38 years, where 17% of the total workforce in 2010 and 18.2% in 2011 were over 50 years of age. The average length of service is approximately eight years, a little bit over the national average. Most of the employees in the Dutch headquarters are male (73.9%) since engineering is traditionally a male occupation. A diversity policy is in place to encourage more female employees to join the management ranks.

Following the Dutch Works Council Act of 1979, all companies with 100 or more employees have an obligation to set up a Works Council.² All employee benefits and HR policies are agreed between the Board and the Works Council, where the latter has both a consultation and a representation function. According to the interviewee, participation of employee representation at board level allows for more specific arrangements that simultaneously fit the needs of markets, employees and the organisation.

The formal ownership of the company lies with a trust, governed by a foundation. The foundation is managed and owned by management and employees. In DHV, active employees have the option of buying shares in the company, with no restrictions on their type of contract (temporary or permanent), function, level or company seniority. There are only two main restrictions on buying shares; employees must have worked for at least one year in the company, and there is a fixed maximum of shares that each employee can buy. The share-buying scheme offers employees a greater share in the success of the business. The shares are not available to the general public.

¹ More than one third of the country is situated below sea level and is protected against the water by many hundreds of kilometres of dikes. The Netherlands has used this as an opportunity to develop industries such as hydraulic engineering, shipping, trade, and other services.

² <http://www.eurofound.europa.eu/emire/NETHERLANDS/WORKSCOUNCIL-NL.htm> (accessed June, 2011).

Policies and practices in relation to age management

The company's HR policies are based on a number of important pillars, which affect all age groups in the company:

The first pillar is talent development. The company offers early career development in which young professionals can participate during their second year of employment. The company also offers a range of training and development courses for all staff. Workers can choose the courses they are most interested in, following their training needs as identified with line managers and the personal development process agreed with HR. The ageing workforce participates to the same extent as younger workers. However, workers in different age groups have different reasons for signing up for training. According to the interviewee, older workers typically engage with training to maintain skill levels and stay relevant to the organisation, while younger workers engage with the training to develop skills to get ahead in the organisation.

The second pillar is the performance appraisal process, which applies to all staff and is done once a year. When it comes to senior employees (50+), the process includes a conversation about what their prospective plans are, and sets out a personal development plan to match the organisation's needs with the individual's ambitions. The company distinguishes between vertical and horizontal careers. The vertical careers tend to be for the younger people, who are interested in career development in conjunction with a gradual increase in their salaries. Horizontal careers are often associated with additional challenges such as having a skill set to work in different management functions across the organisation. Older people are often best placed for these jobs, as they have cumulated significant knowledge and expertise over time.

They also tend to be good candidates to become coaches and train prospective managers and staff. The interviewee considers that the growing number of employees aged 50+ in the organisation is proof that the organisation is meeting the needs of older workers better.

Historically, the majority of people in the engineering industry have been men. DHV would like to change this trend through measures taken under a third pillar of HR policy, the support diversity. In DHV's consultancy business, the female population is about 36 %. DHV aims to have around 20% of women in leadership positions before 2012. In 2010, this rate was 17%. In terms of cultural background, the company has been promoting intercompany exchanges between offices worldwide.

Several policies in DHV are related to sustainable employability. 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 responding to government initiatives by agreeing policy platforms. These include themes such as 'inzetbaarheid' or sustainable employment, and programmes for new ways of working (also see case study report on KPN). In particular, and starting in 1997 as part of a more general approach to talent development, DHV has focused on maintaining the skills of older workers and setting out a personal development programme that makes employees relevant to the organisation. This is a life-course programme aimed at providing a mix of attractive challenges to all employees in all phases of their career, taking into account their physical condition, motivation, and capacity. It also emphasises the responsibility of the employees themselves to be competent and responsive to the needs of the organisation during their whole career in the company. Line management, on the other hand, has to take into account the capacity and motivation of employees and in this sense, age awareness is integrated in day-to-day management. Activities include training, job rotation, and coaching functions for senior employees. The underlying logic is that developing capacities and ensuring work is aligned with an employee's preferences and needs will encourage the employee to stay in employment (Eurofound, 2005).

Retirement options in DHV are listed below:

Part-time early retirement. The company supports part-time work in general and part-time early retirement. Employees can work part-time for any reason, and keep on building their

pension rights on a full-time basis while still harnessing their skills to the organisation. Building up pension rights tends to be a yearly maximum of 2.25% of the average salary for full-time employees. A part-time worker hence builds up the same pension rights each year, but will receive a lower pension because the cumulated pension rights are multiplied by the average career salary. It is estimated that about 40-50 employees make use of this arrangement at DHV.

Otherwise, DHV reacts to stimuli put in place by the Dutch government and social partners. The main ones are changes to early retirement, system of life-cycle savings, and late retirement (see accompanying national report on the Netherlands). These have varying degrees of influence on age management policy in DHV.

Early retirement. Since 2006, government and social partners have agreed to implement measures to avoid the trend in early exit (see accompanying national report on the Netherlands). First it started with the substitution of the generous early retirement schemes (VUT) with less generous pre-pension schemes, which are arranged by collective labour agreements and are built at the expense of worker's savings (salaries are reduced to the extent that capital is invested in the pre-pension fund). Later, in the reform of 2006, further incentives to early retirement were eliminated, and more specifically the tax exemptions that existed on pre-pension premiums. This latter reform is being implemented gradually and hence affects only people born after 1950. Workers born before 1950 can still benefit from the tax exemption on pre-pension premiums. Furthermore, if an employer dismisses a worker near the retirement age outside the framework of the company's Social Plan (agreed through collective agreements), the company pays a penalty. The Social Plan provides guidelines and regulations about rights and obligations during collective dismissals. Our interviewee said that, in his opinion, changes to early retirement provision have had an impact on decisions made by employees to retire and on the company's consideration of early retirement as an option for dismissal (see below).

System of life-cycle savings (Levenslooppregeling). The life-cycle savings are a fiscal-friendly way of saving money intended to support sustainable employability by, for instance, making sabbaticals possible (for learning, care leave, etc.) or for part-time retirement. About 20 % of DHV employees use the life-cycle saving scheme. Adherence to the scheme has been low mainly because people are waiting to know what changes will be implemented in the Dutch pension system in the next few years, such as any extension of the retirement age, and because employees who take this kind of leave need to pay both the employee's and employer's social security contributions to be protected against unemployment and disability.

Late retirement. Another possibility is to work beyond the age of 65. However, this is not considered standard practice at DHV. Contracting people over 65 tends to happen only for specific projects. For those cases, DHV tends to renew the labour contract for a fixed term. From the workers' perspective, it is potentially attractive to prolong their working life, as they can accrue generous pension rights for every year they work after the retirement age.

Changes in age management policies and practice post-2008

In DHV shortfalls in demand are felt with a certain time delay. Most of DHV's clients are government and other public bodies, which plan their work based on long-term budgets. Furthermore, most of their projects are long-lasting. Therefore, during 2008 and 2009, DHV was still delivering on past projects. However, since the government cost reductions started, less work has been tendered out. As a result, DHV closed down two facilities in the Netherlands and business units were merged to save on staff overheads.

DHV has been looking at different options to save costs. First, the company has been looking at traditional ways of saving costs, such as reducing travelling costs. Furthermore, when restructuring the business, they have relocated people to other jobs within the company, with support from HR consultants and the training department, who are in charge of coaching and retraining people.

Despite these various measures to respond to the difficult economic times, DHV has had to consider reducing around 20% of the total workforce in the Netherlands (around 400 people) in 2010. Of the total of around 400 people, 72 are people older than 50, or 17% of the company's age composition in 2010. Most of these were asked to leave under collective dismissal proposals. Dutch law states that collective dismissals need to 'mirror' the age composition of the company's workforce. A financial arrangement was agreed for employees to leave consisting of forward payment of salary and contributions towards retraining. Older workers were also offered early retirement in a handful of cases. The details of these arrangements are stated under the company's Social Plan agreed with the works council for this particular round of redundancies.

Out of these 400, approximately 180 people left the company because their temporary contract was not renewed. These redundancies affected mostly younger age groups. Only a handful of employees of 50 years and older were affected.

Another 90 people left DHV voluntarily (without being offered any incentives to leave). There was no specific age profile in this group.

Another temporary measure adopted by the company was the reduced work-time programme. Under this programme, DHV attempt to maintain employment as well as availability of knowledge and specific skills. Workers maintain their job, but are obliged to reduce the number of working hours. This is done by creating the possibility to buy extra leave entitlement at a low price so that the fixed salary costs for the employer are reduced. Workers may be offered full time work again after a period of time, but the employee can decide whether or not to take it. Some will probably make their choice for a longer period of part time work. In the case of DHV, approximately 35 full time employees were saved as a consequence of this programme. Again, there was no specific age profile.

Over time, the company has been coming up with more innovative, flexible and creative ways of working to adapt to the rapidly evolving changes in the labour market. The promotion of different ways of working has been mainly a response to the changes in the labour market in the last decade or so, although the crisis has accelerated and reinforced the HR policy strategies that were gradually being implemented.

Hence, over time, the philosophy of the company has shifted towards the promotion of sustainable employability and mobility of the workforce (inzetbaarheid). Each year DHV offers training and talent development opportunities to all their staff (regardless of age) through the performance appraisal process. In 2009, an employee at DHV would receive on average 50 hours of training. The statutory health and safety regulation together with the incentives to keep healthy is expected to lead to a healthier and longer working life. Examples of the latter include an in-house gym, subsidies to go to a private gym and sports center, promotion for cycling to work, programmes to quit smoking, and healthy menus offered at in-house canteens.

Furthermore, for some years the company has been promoting new ways of working, which has been possible due to the wide use of information and communication technologies (ICTs). ICTs allow flexible work arrangements regarding time, location and work organisation, such as decentralising responsibilities. From the employee's perspective, new ways of working match private requirements and preferences with work demands (better work/life balance). From an employer's perspective, new ways of working accomplishes various goals: it allows flexibility to the organisation to adapt to new changing market conditions; it represents an opportunity to retain workers, both young and old; and overall it is believed to increase motivation and hence productivity. Furthermore, the company also believes new ways of working can save costs to the company (needing less office space and lowering travelling expenses). New ways of working are well used among the workforce, including the older workforce, who often tends to combine working from home approximately one day a week with part-time work. At company level, 43% of staff have a flexible working arrangement.

Summary

DHV is a company reliant on the knowledge and personal skills of people. People are the most important asset of the company, and as a consequence the philosophy is to ensure strong HR policies that encourage employability and mobility of workers (inzetbaarheid) over time for the entire workforce. To do this, the company has placed strong emphasis on training and development, on promoting a healthy workforce, as well as on new ways of working, all of which provide more freedom for workers to choose the means to do their work. These measures specifically address the main causes for which older people exit the labour market early (health, degradation of skills, and lack of flexibility in work arrangements).

Since the pension and labour market reforms that started in the early 2000s, early retirement is not financially attractive. Instead, early partial retirement is an option whereby people work part-time while receiving part of their pension. In the case of DHV, pension contributions towards the retirement age do not change as a consequence of partial working. In this way, DHV makes active use of this age management tool.

DHV is planning redundancies of almost 20% of the total workforce in the Netherlands for 2010 and 2011. The ageing workforce has been less affected than the younger groups, who were mostly on temporary contracts. In fact, the bulk of the reduction in the total workforce came from not renewing temporary contracts. Other options used by the company were: offering employees part-time work, relocation, and in some cases forced layoffs. But consistent with Dutch law there was no difference made between the different age groups.

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