

A Work Project presented as part of the requirements for the Award of a Master Degree in Management from the NOVA – School of Business and Economics.

***ADDRESSING THE AGEING WORKFORCE PHENOMENON IN THE FOOD RETAIL SECTOR: CHALLENGES AND SOLUTIONS.***

**Paulo Renato Correia Bettencourt Tavares**  
**24593**

A Project carried out on the Master in Management Program, under the supervision of Sandra Brito Pereira

Spring Semester  
June 2017

## **ABSTRACT**

Demographics have been changing inverting the age pyramid in developed countries. This shift raises challenges to many companies, which must regard the current tendency of an ageing workforce with increasing concerns and looking forward to anticipate the adversities that may come with this new tendency as the food retail sector seems to be no exception. This study concludes that companies are being reactive towards this phenomenon, therefore, the purpose is to identify the key challenges and solutions in order to mitigate both the risks and negative effects taking the example of a Portuguese company that operates in the mentioned sector of activity. The challenges and solutions identified are related to human resources management policies and practices as well as initiatives and implications that will be further discussed in this study.

**Keywords:** ageing workforce, human resources management, food retail, challenges and solutions

## **PART A –THE CASE**

### **INTRODUCTION**

For the last three years, Paulo has been a *Human Resources Operational Manager* at Grocery Stores, Inc. When visiting a few stores, he noticed that the staff was relatively mature and decided to investigate further the implications that age management would bring to the business. As a *Human Resources Operational Manager*, Paulo was aware that since 2013 that the number of workers aged 45 years old and over at the company has increased by 30% until the beginning of 2017. Therefore, he presented his concerns regarding the shift on employees' demographics to the *Culture and Engagement area* and they have decided to sponsor a study and to collaborate in the development of a business case focused on an action plan to address the potential adversities caused by an increasing ageing scenario of the operational human resources of Grocery Stores, Inc.

The starting point for Paulo's study was to understand the common profile of the employees of Grocery Stores, Inc., based on an internal survey held in 2013. This survey revealed that most employees were financially vulnerable, unable to cope with unforeseen expenses (80% of employees) or even expected health expenses (42%). Furthermore, from the survey Paulo was able to understand that a significant number of employees faced costly health expenses and had very low levels of education (42% of employees had only 9 years of education, almost the double of the country's average – 24,4%).

Given the specifics of the Food Retail sector, Paulo embraced the challenge of developing a set of HR policies to anticipate the challenges risen from a growing ageing workforce.

### **THE DEMOGRAPHIC CONTEXT**

In order to address the concerns of the *Culture and Engagement area*, Paulo analysed the current demographic contexts of Europe and Portugal and compared them with the one Grocery Stores, Inc. was facing.

## Europe

According to Fundação Francisco Manuel dos Santos – FFMS – (2016a), during a 12 year period (from 2002 to 2014), the EU28's active population (aged 15–64) suffered some changes in its distribution by group age. The share of the population aged 15-24 decreased in 2014, while all other group ages' activity shares have increased (exhibit 1). The most significant occurred in the group ages 55-64 (+ 14,8 p.p.), 45-54 (+ 4,7 p.p.) and 35-44 (+ 2,7 p.p.).

The fact is that the European Union and other entities (e.g. Organization for Economic Cooperation and Development - OECD) project a greyer future for the European population. In other words, the European Union's (2014) projections for the EU28 countries in 2060 are, in one hand, a constant share of the population (approximately 15%) for those aged 0-14 years old, while the active population (aged 15-64) will decrease around 9 p.p. (from 66% to 57%) and, on the other hand, the older segment (aged 65 and over) will grow significantly to 28% of the overall population. Thus, if looking only for those aged 80 years old or more (the so-called *4<sup>th</sup> Age*), this share will increase as well, around 7 p.p., representing 12% of the population (almost as much as the younger group age).

FFMS (2016b) also mentioned that not only the birth rate has been continuously decreasing in the EU28 – from 10,3‰ to 10,0‰ between the years of 2002 and 2015 – but it has also been low for the past two decades.

Eurostat (2016a) mentioned that the median age for the EU28 has increased 4,1 years, in the time period between 2001 and 2015 (from 38,3 to 42,5 years old) (Eurostat 2016b). The life expectancy at birth also increased 3,2 years (from 77,7 to 80,9 years old). On top of that, between 2001 and 2014, the ageing index – number of people with 65 years old (and over) by each 100 people aged 15 years old and less – increased by 25,5 points (FFMS 2016c) (exhibit 2).

According to the Finish Center for Pensions (2017) the retirement age among the oldest European Union countries – the EU15 – is generally set up at the age of 65, while the newest Union's members are gradually raising theirs to the same level. By 2020 it is expected that some State Members will set higher retirement ages (France, Denmark, Spain and Germany is fixing it at 67 years old; the UK and Ireland will raise it to 68). In addition, countries such as Portugal, Greece, Denmark, Cyprus and Finland will link the development of their life expectancy to define their retirement age, while in Czech Republic it will increase 2 months every year.

### **Portugal**

The changes on the Portuguese active population (exhibit 3) are not as alarming as the EU28's, however it is possible to identify a similar evolution. That is, between 2002 and 2014, the youngest segment (aged 15-24) decreased 5,9 p.p. while the other segments (except the cohort aged 65+) recorded an increase, whereas the group ages in the middle (35-44 and 45-54) increased both by 4,4 p.p. (FFMS 2016a). Contrariwise, the older segment decreased 7,2 p.p., due to the legal retirement age.

Nevertheless, the European Union's (2014) projections regarding the Portuguese population states that the younger age segment (0-14 years old) will decrease from 15% to 11% (- 4 p.p.) until 2060. Following the same pattern, the age group (15-64) is expected to decrease from 66% to 54% (- 12 p.p., more 3 p.p. than the projections for the EU28). Meanwhile, the segment aged 65 (and over) is expected to increase from 20% to 35% (+ 15 p.p.), aligned with the increase in the population over 80 years old (+ 11 p.p., from 5% to 16%).

The birth rate's evolution in Portugal has significantly decreased between 2002 and 2015 (from 11,0‰ to 8,3‰) and has been low for the last twenty years. The shrinkage on the Portuguese birth rate is also related with the severe economic crises (since 2011), where approximately

500.000 people left the country (essentially to the UK, Spain and Angola) between 2011 and 2014 (Santos 2016). This author also describes the emigrant profile as a higher educated workforce (this phenomenon is also known as *brain drain*) and, on top of that, it shows that Portugal, at this point, is neither attractive neither to receive nor to offer immigrants the living conditions they aspire (since between 2010 and 2011, around 60.000 immigrants left Portugal). In addition to the decreasing birth rate in Portugal, these have remained very low for the past two decades (as mentioned previously), which significantly contributes to a fast and unsustainable growth of the ageing population. Furthermore, while the Portuguese median age grew faster than the EU28's between 2001 and 2015 (37,9 to 43,5 years old, which is translated into a 5,6 years growth), Eurostat (2016b) also mentioned that the Portuguese life expectancy at birth grew 3,9 years (from 77,4 to 81,3 years). Thus, in Portugal, the ageing index also increased (by 37 points) over 13 years (2001-2014) (FFMS 2016c).

Despite the legal retirement age was, in Portugal, being sat at 65 years old until 2013, since 2014 that it has been changing according to the predictions on expected life expectancy for the population aged 65 years old (and over). Thus, the retirement age is currently fixed at 66 years and 3 months, although those who are aged over 60 are entitled to early-retirement, but they are subject to financial penalties.

The key conclusion from the European Union and the Portuguese demographic context is that the shrinking birth rates over time, associated with other facts such as the increase of the median age, the higher life expectancy and, consequently, the higher ageing index, stresses the potential risks of an active population that is rapidly getting older.

## **THE FOOD RETAIL SECTOR**

There are a lot of aspects that characterize the Food Retail industry as a tough sector, essentially when it comes to operational functions (in opposition to supporting functions). The main

reasons behind this statement are the working schedules (that might be unstable), the wide range of temperatures (from room temperature to  $-18^{\circ}\text{C}$ ), the manual handling of heavy loads, the repetitive movements, the business' dynamics and the pressure to generate sales and maintain high levels of customer service.

If working in retail means, *per se*, having a hard time to ensure a work life balance (considering the fact that those professionals work during weekends and, when there are children involved, it's harder since weekends are when the families are more likely to be available), the food retail can be even harder, due to the working schedules that can start really early in the morning (e.g. a baker needs to produce bread to have it available on the shelves before the store's opening) or extended during the night (e.g. goods' replenishment). In addition, operational functions tend to have working schedules organized in shifts. Despite all the company's efforts on keeping a stable shift routine, the dynamism of the business doesn't always allow to maintain that stability. In the long-run, the unstable working schedules are associated with different kinds of complications, for instance, gastrointestinal issues, heart conditions or sleep disturbances, while it can also affect the individual's social and domestic balance (Santos 2012).

In order to ensure perishable goods to maintain their freshness and good safety and quality, the warehouses, distribution centres and stores have low room temperatures (between  $0^{\circ}\text{C}$  and  $5^{\circ}\text{C}$ ). Even more when considering frozen goods, the temperatures need to be regulated at  $-18^{\circ}\text{C}$  or lower (Viegas 2014). Although the company provides their employees the appropriate clothing for this kind of environments, the human body remains in constant stress to keep warm and these employees are more susceptible to have colds, because they are always moving and changing temperature environments. Additionally, in order to protect perishable goods, stores are built in a way where natural daylight is (almost) inexistent.

Bearing in mind all these *in-store* environmental characteristics together with the merchandise's weight and the various ways it must be pulled, the probability of a potential deterioration of an

employee's physical/health condition increases exponentially. In fact, most of the times, goods are carried manually in high volumes and/or weight packages (e.g. big boxes) which may not be adequately in terms of ergonomics. Moving merchandise from one place to another within store walls may be supported by the use of pallet truck, but it is more likely for this work to be manually carried out, since there are few electric pallet trucks in the organisation.

Moreover, the pressure to provide a good *in-store* customer service, together with the business pressure, may lead to emotional and physical debilitation which, in turn, may lead to higher absenteeism rates. In other words, this is a vicious cycle, in the sense that higher absenteeism rates require more working hours (e.g. overtime) from the employees that keep working, leading them to exhaustion and, therefore, to absenteeism.

## **GROCERY STORES, INC.**

The company that serves as a benchmark for the purpose of this case study – the identification of challenges and solutions of an ageing workforce in the food retail – is one of the Portuguese subsidiaries of a multinational corporation, currently operating in three countries located in Europe and Latin America. This multinational follows a multi-domestic strategy, meaning that its subsidiaries have their own identity addressing local markets' challenges and needs while producing and selling mainly local products, according to the local preferences. In 2016, this multinational has recorded over €14,2 billion in sales (translating a 6,5% growth, comparing with the 2015 results) and employed more than 89.000 people.

Meanwhile, the Group's Portuguese subsidiary in analysis – Grocery Stores, Inc. – recorded, in 2016, a sales volume of €3,56 million (+4,4% than last year's results). By the beginning of 2017, it had more than 410 stores and employed approximately 24.500 people.

The stores are organized by geographic regions and each region has an *Operational HR Coordinator* that reports to the *Regional Operational Director* and to the *Operational HR*



*Director* (in the headquarters). Depending of the number of stores of the region, the *Operational HR Coordinator* has a one to five members team of *Operational HR Manager* reporting him.

Regarding Grocery Stores' demographics and considering the *in-store* operational roles (namely store operator, section responsible, store secretary, deputy store manager and store manager), the company shows no critical scenario... yet. That is, within the almost 24.500 employees working in stores by the beginning of 2017, 18,52% were aged under 25 years old. The age group 25-34 represents the largest share of the total number of employees (35,22%), followed by the segment 35-44 (25,37%). The older segments' (45-54 and 55+) representation on the population is translated in 15,21% and 5,68% respectively (exhibit 4). Since 2013, the overall population grew 17,74%.

However, having a bigger workforce doesn't mean necessarily a younger one. Despite the two digit growth in every age group, the number of younger employees (less than 25 years old, 25-34 and 35-44) increased less (10,99%, 15,69% and 16,55%, respectively) than the number of older co-workers (45-54 and 55+). The number of employees aged between 45 and 54 years old grew 26,13%, while the number of employees aged 55 years old and over increased 42,67%. Together, the number of employees of these two group ages increased by almost 30%.

In other words, in the near future this will be a major issue within the organization and, therefore, the company has to address it as soon as possible.

## **THE AGEING CONCEPT**

Ageing is not only about getting older (chronological ageing) nor it concerns only the ageing manifestations (e.g. grey hair) – individual ageing - but it involves much more than that. Indeed, the ageing phenomenon also comprises a collective dimension, which is translated into demographic ageing. This means individuals are grouped according to their age (e.g. young age, active age and old age) which reveals the evolution over time of a population's demographics, allowing the comparison between different group ages. Thus, the demographic

ageing concept is usually associated with such indicators as the average age or the ageing index (over 65 years old ratio by every 100 young age) (Rosa 2012).

World Health Organization – WHO – (2017) believes that age is not a reliable indicator of an employee's potential productivity or employability. Having said that, the longer life associated with keeping the social connection and financial dimension creates the tri-factor that makes people willing to work for longer. In turn, companies need to keep older employees for longer periods since there is less young talent available to employ.

## **CHALLENGES**

These are the key challenges that the company's HR Managers (either operational or not) have to address, in order to better manage an ageing workforce.

### **Challenge 1: Retiring employees and productivity risk**

Although baby boomers – employees that, in 2017, are aged between 57 and 72 years old – represent, roughly, 6% of employees, they are closer to the retirement age than anyone else. This means, in the short-run, that they are leaving the company and carrying with them years of accumulated knowledge and expertise.

Additionally, due to the physical demanding aspect of the jobs in store, the company may face the risk of early retirement as long as employees may not be able to keep carrying on with their jobs. In this case, this risk increases as a fifth of employees is aged over 45 years old (exhibit 4) and, on average, this cohort has been working in the company for 15 years (in opposition of average seniority in the company: 8 years).

Despite the average age increase, when retirement is not an option yet, elderly employees' productivity is more likely to decrease as their physiques lack the stamina needed to perform a job with the physical toughness required at the retail food sector. For instance, an employee allocated to the check-out – commonly perceived as one of the less *in-store* physically

demanding job position – that repeats the scanning process to bill customers all day, for 15 years. After a certain time it's expected that this employee develop lumbar injuries or tendinitis, according to the company's Health and Safety at Work department.

### **Challenge 2: Intergenerational conflicts and age discrimination**

As mentioned before, the company's demographics isn't critical yet. However, it's not uncommon to have five generations working together (Baby Boomers, Generation X, Generation Y or Millennials, Generation Z and Generation Alpha), which may cause intergenerational conflicts.

Age discrimination becomes an issue when companies don't provide the same learning and development opportunities to older employees (Gowler 2015). It is not only relevant for the business to keep their skills and capabilities up-to-date, but also it will impact positively on their engagement and retention. Retaining older employees means holding knowledge and skills in the company and, therefore, the line managers' role becomes even more important and accountable for those employees' development and engagement (Blake 2015).

### **Challenge 3: Workplace accidents**

Following the fact that working in the food retail sector is physically demanding, the history of Grocery Stores, Inc. concerning workplace accidents (also known as occupational accidents) reveals that, in absolute terms, the number of accidents has been increasing since 2013 (exhibit 5). Besides the absolute number of accidents, the company uses two other indexes: one that evaluates the number of accidents that leads to medical prescribed absence per million hours effectively worked (frequency index – IF) and the other index measures the accidents' severity (severity index – IG), that represents the consequent missing days compared to the number of thousand hours effectively worked.

Also in absolute terms there's the fact of the increasing number of employees, essentially due to the business expansion, that could explain the increase of the number of workplace accidents. However, during an informal conversation, the health and safety at work department's (HST) coordinator pointed out that manual handling of heavy loads is one of the main reasons for the accidents to occur in the stores' warehouses, fishmonger, butchery and bakery. Thus, an employee can be restricted to perform a certain job due to repetitive movements over time and/or occupational accidents that result in severe lesions (e.g. fractures, broken bones or amputation).

Concerning the group ages, the number of accidents involving employees aged 45 years old (and over) represents, on average, 27% of the total accidents registered every year, which isn't far from this segment representation in the population in analysis. Nevertheless, comparing with 2013, in 2016 the number of workplace accidents involving this segment (aged 45 years old and over) increased 47,27%.

#### **Challenge 4: Training and Development**

According to the Chartered Institute of Personnel and Development – CIPD – (2015) older employees are more likely not to have the same training and development opportunities as younger employees: either because they are not considered due to their age (age discrimination), or they are not encouraged or they are not prone to it. Nevertheless, employees have the need to keep their skills up-to-date, regardless their age.

At Grocery Stores, Inc. training and development opportunities are provided in the sequence of a training need analysis that is performed every year, taking into consideration individual needs and the job requirements (including regulation).

The challenge here is set not only by the perception among employers and employees that older workers are resistant to change or unable to adapt to new technologies (Tishman, Van Looy and

Bruyère 2012) which, in turn, can be crucial to maintain or increase productivity, but also by engaging this segment of employees in training. In addition, comparing with younger people, adult learning processes require different methodologies (Lopes and Picado 2010).

Nevertheless, taking into account the technicality of perishable departments (butchery, fishmonger, bakery, fruits and vegetables, and delicatessen and take way), it is relevant to refresh employees' skills. In the company, the share of employees aged over 45 years old represents 30% (butchery) and 31,3% (fishmonger) of the workers allocated to those sections, earlier in 2017 (exhibit 6). Despite being in line with the distribution of the overall workers by group ages, both departments require a specific set of skills that need to be enhanced and up-to-date.

## **SOLUTIONS**

There are some interesting initiatives that can address the above challenges and, in addition, are complemented with others. All of them were implemented in other companies and are benchmarked as a best practices.

### **Phase-out programme**

If (and when) retirement is a viable option, there can be two possible solutions, considering two different perspectives: before and after it happens. Before the retirement takes place, a phase-out retirement programme could be implemented. There are several benefits associated with it, starting by the mitigation of the traumatic effect of retirement (when it happens abruptly) through a gradual reduction of the work schedule. The older employees would have more time to take care of his/her personal issues (e.g. health related) or taking the spare time to do other activities (e.g. volunteering programs).

Typically companies are individual-based when it comes to knowledge, which can create additional challenges for these companies, considering the fact that an employee leaving a company represents accumulated skills and knowledge walking out the door. Therefore, this initiative would also create the opportunity to hire new employees that would be mentored by the older ones. That way, the company can ensure the knowledge transfer and the new employee will gain the set of skills needed to excel performance in his job. This programme would also consider a financial plan (to be developed further in this study) and a meeting plan with the employees in transition to retirement in order to prepare them for this new stage of their life.

Group Safran, a French high-tech group, has successfully implemented an initiative similar to this in 2010. As 18 or 30 months before the retirement, they are offering older workers the possibility to reduce to 80% of their current work schedules, readjusting their income to 90%. Initiating the programme depends on the employees' working schedule and health. That is, a typical work schedule entitles the employee to initiate the programme 18 months before retirement, while shift workers have access to 24 months and the 30 months are reserved to employees whose health is not in good shape or are somewhat disabled to perform his job. The French group also provides information meetings to employees in transition to retirement. A recent assessment of this initiative shows that, in 2014, 976 employees (in a total of 3400 that are eligible) has chosen to follow this programme, in opposition to the 605 in 2013. Moreover, this initiative's cost is considered to be moderated and represents real added value for employees (CIPD 2016).

Since engagement and retention of older workers is expected to be positively affected by this measure, it will clearly address Challenge one.

## **Special Training and Development programmes**

When providing training to older workers, the company should be concerned about (1) the training methods to use (including material), (2) providing a suitable environment for older employees and (3) engaging and training line managers to put in good use this cohort skills and talent (Tishman, Van Looy and Bruyère 2012).

Creating special training programmes for older employees is easier said than done, however, it can drive to better address new business' challenges, and to high levels of commitment and loyalty, as employers' are perceived to be investing on them, which also is expected to lead to higher productivity.

The training needs for this segment can be identified in the sequence of the performance appraisal's feedback, but also by assessing the paramount skills needed in a certain job position or job family (including regulation), to identify which ones need to be developed within the older workers.

This initiative would mitigate age discrimination and help to retain and engage older workers (challenge 2). Steelite International, a British ceramic tableware manufacturer, raised line managers' awareness, provided them guidance and training in regard of age management (CIPD 2016). Therefore, line managers' become accountable to retain and maintain high levels of engagement within older employees, including engaging them in training.

## **Age diversity and reverse mentoring**

One way to mitigate challenge 2 by taking into consideration the benefits of diversity and adapt the organizational culture to harness them (e.g. create inclusive and learning cultures, intergenerational mentoring programs). Assume the company decides to purchase a new software that will be used by everyone in stores. Older people are more likely to resist it or not to know how to operate with it, and a reverse mentoring program could help to address this

issue and at the same time would create bridges between different generations. Nevertheless, individual differences and needs should be considered, otherwise the company is more likely to be dealing with low levels of engagement, performance and, clearly, productivity.

Besides the regulatory context that was taking place later in 2005 in the UK, Coca-Cola Enterprises, for instance, has reviewed its people management policies: they have removed age requirements in their job advertisements; created mix-aged interview panel to reduce age bias; raised managers' awareness to ensure training and development opportunities regardless of employees' age and removed any restriction on age for promotions. In other words, all decisions should be made only considering job-related criteria instead of age-related (Webb 2006).

### **Workplace redesign and enhancing accidents' auditing**

In order to reduce the risk of accidents (challenge 3), the company has already put in place a campaign to raise all employees' awareness for the risks associated with the common tasks across store functions. In addition, the company also launched health related initiatives (e.g. nutritional recommendations to fight overweight) due to its somewhat correlation with the occurrence of accidents.

The company benchmarked 2014's results on both indexes (severity and frequency), since they were the best in the time period between 2013 and 2016 (exhibit 7). Even so, it is crucial to deepen the analysis of occupational accidents and its consequences. That is, the company should perform a deeper analysis on both frequency and severity indexes considering store sections or group ages, in order to identify risk groups and be able to act upon it, instead of doing it based only on the absolute number of accidents.

As the rhythm of work gets more intense, employees are more likely to be neglecting their own safety. Therefore, in order to create a safer and healthier environment, the company should consider to gather inputs from experts in the field to redesign the workplace (eliminating every



source of potential risk and improving its ergonomics), ensuring the maintenance of work instruments and providing new ones when needed (e.g. electrical pallet trucks; vests specially designed to carry heavy loads) and, above all, it is crucial to keep raising employees' awareness for the risks they might be dealing with and their engagement on wearing all individual protection equipment provided by the company.

BMW, with low investment (about \$50,000), introduced small changes (e.g. provided a chair in every workplace, providing better lighting and resting areas) and increased productivity by 7%, absenteeism decreased and the production defects were eliminated (CBS 2010).

### **Task and/or job rotation**

When possible, in order to promote an employee's well-being, companies should offer the possibility to older employees to perform less demanding tasks (e.g. allocating the arduous to younger employees) or allocate this segment to less intensive roles. To implement the latter initiative, the company should consider to (1) authorize job positions' mobility with other employees suitable for the physically demanding roles and/or (2) create slighter versions of the existing job positions in stores.

Although it does not address directly any of the challenges identified, this initiative was a success in a Danish construction company (CIPD 2016). It will impact positively employees' engagement level, since they are considered to be accepted in the company. Furthermore, it represents a win-win situation, in the sense that employees would be assigned to more adequate job and productivity would increase.

### **Medical check-ups**

The Portuguese labour law requires an annual occupational medical appointment to assess the physical capability of employees aged 50+ years old to perform a certain job. To complement

this legal requirement, the company should extend the annual medical appointments to employees aged 45 years old and also provide a full set of relevant medical exams (e.g. x-ray, blood tests) that will help the occupational doctors' assessment. This initiative was implemented by the Danish construction company (previously mentioned) and aims to be as preventive as reactive addressing any emerging issues regarding older employees (e.g. disabilities).

### **Keeping the social connection**

In Czech Republic, Škoda Auto a.s. made an effort to maintain social connections with former employees: every year they promote meetings with employees who have retired in the previous year and the company's management team, but have also extended to them their programmes concerning social care and communication programmes, aiming to announce existing and new initiatives (CIPD 2016).

Despite this part of the initiative being incremental considering what Škoda did, it would be interesting for the company to invite retired employees (who are considered to be a good reference) to share their knowledge in certain areas through their participation in special projects (e.g. designing perishables training courses, training events participation, tip talks, among others).

### **Financial advisory programme**

Everyone should be prepared for the future, as long as retirement plans are getting less attractive over time and, therefore, employees are willing to work for longer. In other words, this programme should help employees (regardless their age) to manage their income and save money for the retirement phase.

Considering the physically demanding job positions in stores and the risk of pre-retirement as a consequence of disabilities or stamina's loss, the company should complement this initiative with a fund – similar to pension funds – where employees would contribute with a percentage of their income while working in the company to be used during the phase-out programme (therefore, employees would not lose their income by reducing work schedules). When retiring, employees would be entitled to the remaining money in the fund.

CIPD (2015) mentioned financial advisory regarding employees' benefits in order to ensure they take the most out of it, however, complementing it with financial guidance towards the future stage of their life and even pension-like fund is relevant, considering the income level of store employees (generally lower than other functions).

## **LOOKING FORWARD**

Regardless the initiatives a company really implements, it is crucial to create the sense of urgency to address the challenges an ageing workforce represents, considering the fact that results can take years to start to be visible.

Once Paulo has identified some of the challenges that Grocery Stores, Inc. will face in the future (some of them will arise during the next decade) and also some initiatives to mitigate any negative impacts, the next step is to present the result of this study to the company. Assuming the company decides to implement the initiatives that Paulo is suggesting, it will be necessary to set up a multi-disciplinary project team (including employee representatives and senior management, as Coca-Cola Enterprises did) with the mission to prioritize the initiatives to implement, identify financial impacts (predicting costs and return on investment estimations) and also to ensure that everyone involved in the project is really engaged to it. Thus, this team should also define key performance indicators (KPI) for each implemented initiative to measure its success and effectiveness. Although in this area it is hard to have an accurate information about what is going on in the company, the selected KPI's (e.g. turnover rate, engagement

levels, productivity) should, for instance, compare by group age its evolution before and after implementing the measures.

The initiatives were suggested taking into consideration the context of the food retail sector and are predicted to retain older employers for longer – by decreasing the turnover rate – and to enhance their engagement level that, in turn, would positively impact their productivity. In addition, these measures also aim to be preventive concerning health conditions resulting from arduous professional activities and to create the sense of belonging within older employees' (including former workers).

## **PART B – TEACHING NOTES**

### **SYNOPSIS**

Populations are getting older in the EU28's countries and Portugal is also affected by this phenomena. In 2060, the segment aged over 65 years old is expected to increase 28% (in the EU28) and 20% (Portugal), while the active population (aged 15 – 65) is expected to decrease 9% and 4%, respectively. This shift will surely impact on the organisations' workforce demographics, for sure.

The demographic landscape in Grocery Stores, Inc.'s does not represent a major threat yet, but the company will have to start creating an action plan according to this new reality.

This case attempts to illustrate the challenges the company is more likely to face in the near future, while aims to provide benchmarked solutions (initiatives) implemented by other companies to mitigate eventual negative impacts of an ageing workforce.

### **LEARNING OBJECTIVES/OUTCOMES**

After a full analysis and discussion of the case, the students (or participants) should be able to:

- Demonstrate full comprehension of the demographic shift and how it will impact in Grocery Stores, Inc.'s workforce;
- Understand the importance of age management in the context of the company;
- Elaborate on the given information and develop alternative initiatives;
- Propose a short and long-term action plan to define strategies to address better the ageing phenomenon;

### **CONTEXTUALIZING THE THEORETICAL FRAMEWORK**

This case study is pertinent for strategic Human Resources Management (HRM) purposes in the sense that HR managers need to be aware of demographic changes in the company's workforce in order to define policies and practices that can ensure the company's sustainability.

That said, the case study methodology is the one that better addresses the “how” and “why” questions, developing a greater understanding of this phenomenon – the ageing workforce – in the context of food retail.

An ageing workforce is a consequence of an ageing population. Therefore, the company needs to assess how this phenomenon will impact the way people are managed that will allow to plan and implement solutions according to the foreseen challenges. That is, concerns are raised in light of the increasing number of older workers – productivity, age discrimination, retirement drains, training and development, among others – that will require adjustments on existing HRM processes (e.g. employer branding, recruitment and retention) and, eventually, implement new practices and policies.

In addition, this case study can be analysed and discussed in classes that aim to study people management frameworks, policies and practices. Diversity related topics have been developed and included in HR courses in the past few years and this case study is believed to provide a better understanding regarding the challenges and solutions that companies need to deal with in the near future, with special attention towards the food retail sector.

## **RECOMMENDED READINGS**

For better understanding of the demographic shifts and the initiatives implemented in other companies:

- Rosa, Maria João. 2012. *O Envelhecimento da Sociedade Portuguesa*. Lisbon: Fundação Francisco Manuel dos Santos.
- CIPD. 2015. *Avoiding the demographic crunch: labour supply and the ageing workforce*. London: Chartered Institute of Personnel and Development.
- CIPD. 2016. *Creating Longer, more fulfilling working lives: Employer practices in five European Countries*. London: Chartered Institute of Personnel and Development.
- CBS. 2010. *How BMW Deals With an Aging Workforce*. CBS News <http://www.cbsnews.com/news/how-bmw-deals-with-an-aging-workforce/>.

## TOPICS FOR DISCUSSION

This section represents an opportunity for anyone interested in this topic to reflect about it. It provides questions for discussion that aim at creating a better understanding on how companies can address the ageing workforce challenges in regard to HRM processes. Therefore, we propose the following:

- 1) Group the proposed initiatives in light of general HRM processes. If possible, identify and develop additional initiatives that can be considered in Grocery Stores, Inc.'s context.
- 2) Use the initiatives identified in the previous question and assess them according to its urgency and eventual resources considerations. Prioritize them, assuming that all are being implemented.
- 3) Define how to measure the success of the solutions that would be implemented.

## TEACHING PLAN

**1) Group the proposed initiatives in light of general HRM processes. If possible, identify and develop additional initiatives that can be considered in Grocery Stores, Inc.'s context.**

The purpose of this question is to identify the general HRM processes and, given the information on the case study, organize the solutions according to its impact on them. Students should also propose new initiatives, if possible.

HRM Processes	Initiatives
Attraction, Recruitment and Retention	Keep the social connection;
Compensation and Benefits	Financial advisory programme;
Training and Development	Reverse mentoring; Special training and development programmes;
Performance Management	Medical check-ups; Task and/or job rotation;
Career Management	Phase-out programme;
Leadership Development	Raising awareness about the benefits of age diversity;

**2) Use the initiatives identified in the previous question and assess them according to its urgency and eventual resources considerations. Prioritize them, assuming that all are being implemented.**

There are two goals associated to this question: (1) to classify the initiatives by its resources requirements (e.g. human and financial) to its implementation and its urgency level and (2) to prioritize initiatives and create a roadmap to implementation.

To facilitate the discussion, participants should be divided in groups (3 to 4 members) and both variables should be assessed with a scale (e.g. 1 - Low, 2 – Relatively Low; 3- Medium; 4 – Relatively High and 5 - High). Additionally, students may explain briefly their assessment. If deciding not to implement a certain initiative, they should justify their decision.

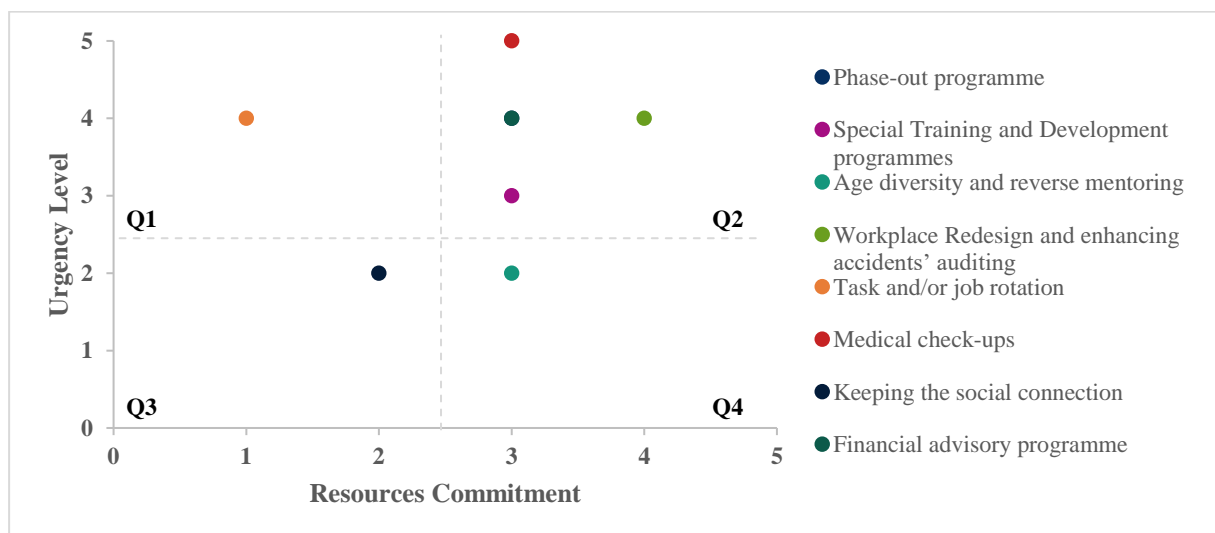
#### Initiatives' Assessment

<b>Initiatives</b>	<b>Resources Commitment</b>	<b>Urgency Level</b>	<b>Comments</b>
Phase-out programme	3	4	<ul style="list-style-type: none"> <li>• 6% of employees are close to retirement age;</li> <li>• Resources commitment (e.g. HR) might be lower after implementation, eventually being expected to require monitoring and minor adjustments.</li> </ul>
Special Training and Development programmes	3	3	<ul style="list-style-type: none"> <li>• Capacity to provide training already installed in the company;</li> <li>• Creating programmes specially designed for older employees must require money to hire an expert training consultant firm and time from company's managers, in order to work together and address business challenges.</li> </ul>
Age diversity and reverse mentoring	3	2	<ul style="list-style-type: none"> <li>• It only requires time to embrace age diversity, where managers play an important role to promote and implement it;</li> <li>• Including reverse mentoring in the company's practices will require time to raise managers' awareness and to implement it in their teams.</li> </ul>
Workplace Redesign and enhancing accidents' auditing	4	4	<ul style="list-style-type: none"> <li>• A considerable money investment is required to redesign the workplace and to improve the software that provides information about severity and frequency indexes.</li> </ul>
Task and/or job rotation	1	4	<ul style="list-style-type: none"> <li>• Starting with disabled employees in the first stage of the implementation. As the first results are known, evaluate the possibility to expand to older employees;</li> <li>• Only time is required to implement.</li> </ul>



Medical check-ups	3	5	<ul style="list-style-type: none"> <li>Assuming the company is funding the medical exams, it would require a medium money investment;</li> <li>As the initiative aims to be as preventive as reactive, it should be implemented the right away.</li> </ul>
Keeping the social connection	2	2	<ul style="list-style-type: none"> <li>The money that is more likely to be spent in this initiative is relatively low, considering the time to find new programmes (that will benefit also current employees) and the cost (e.g. post mailing) to inform former employees;</li> <li>The cost associated with inviting former employees to special projects would be allocated to those projects.</li> </ul>
Financial advisory programme	3	4	<ul style="list-style-type: none"> <li>Since it is correlated to the phase-out programme, it should be implemented at the same time;</li> <li>The costs associated with this initiative are basically to hire a consultant firm to provide advisory to employees and to manage the fund.</li> </ul>

Plotting the assessment into a graph can be helpful for participants to organize initiatives in groups (Q1 – more urgent and requires less resources; Q2 – more urgent and more resources commitment; Q3 – Less urgent and less resources required; Q4 – less urgent, but more resources needed) and visualize in which order to implement them.



### Initiatives' roadmap

Participants should be able to prioritize initiatives, taking into consideration the previous assessment. The initiatives would be implemented in the following order:

1. Task and/or job rotation;
2. Medical check-ups;
3. Phase-out programme
4. Financial Advisory programme;
5. Workplace redesign and enhancing accidents' auditing;
6. Special Training and development programmes;
7. Keeping the social connection;
8. Age diversity and reverse mentoring.

### 3) Define how to measure the success of the solutions that would be implemented.

With this question, participants are expected to methodologically think about the implementation process and how to measure the initiatives' success:

- Propose a pilot before implementing them company-wide in order to have an accurate result, comparing it with a control group. Both samples should compare stores with the same characteristics (e.g. distribution by group age, sales volume, size).
- Define for how long the pilot would take place, which should be the same to monitor the KPI's (key performance indicators).
- Define KPI's and identify which initiative it should be associated to.

<b>Key Performance Indicator (KPI)</b>	<b>Description</b>	<b>Initiatives</b>
Engagement Levels	Evaluate engagement levels within group ages (or exclusively among employees older than 45 years old). Former employees' engagement should also be measured to evaluate if it is worth to maintain it.	<ul style="list-style-type: none"> <li>• All initiatives (except medical check-ups and redesign the workplace);</li> </ul>
Performance Management	Assess the change on individuals' performance appraisal ("is it getting better?").	<ul style="list-style-type: none"> <li>• Phase-out programme;</li> <li>• Task and/or job rotation;</li> <li>• Special Training and Development programmes;</li> <li>• Age diversity and reverse mentoring;</li> </ul>
Adhesion rate	Audit how many employees have joined a certain initiative from the total number of eligible employees.	<ul style="list-style-type: none"> <li>• Phase-out programme;</li> <li>• Financial Advisory programme;</li> <li>• Task and/or job rotation;</li> </ul>

Turnover rates	Evaluate the changes on turnover rate by group ages (or employees aged over 45).	<ul style="list-style-type: none"> <li>• All initiatives (except keeping the social connection);</li> </ul>
Prevention and reaction rate	Identify how many (and which) disabilities were prevented or the company reacted to within the population covered by the initiative.	<ul style="list-style-type: none"> <li>• Medical check-ups;</li> </ul>
Number of accidents, severity and frequency indexes	Already exists in the company and aims to measure the impact of the changes in the workplace.	<ul style="list-style-type: none"> <li>• Redesign the workplace;</li> </ul>

## LIMITATIONS AND FUTURE RECOMMENDATIONS

There are a lot of materials concerning ageing, however the implications of this phenomenon on organizations is poorly developed and the scenario gets worse when it comes to food retail. However, there are some initiatives that a few companies have implemented and can be benchmarked for the food retail industry.

As long as the ageing workforce doesn't represent a major threat to the business, companies may tend to delay some initiatives' implementation to address the issue. Even so, Grocery Stores, Inc. is starting to raise concerns about the demographic shift in the company.

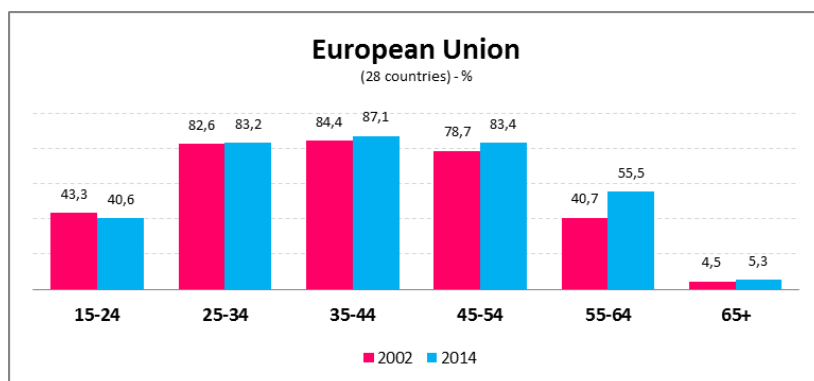
In 2015, employees were asked to answer a survey that measured, among other things, their engagement to the company. The results show that employees are somehow engaged (79 points out of 100), and that group ages 45-54, 55-64 and 65 years old (and over) are more engaged (83, 84 and 87 points, respectively) than the younger segments.

Regardless of the number of initiatives proposed to address the ageing workforce, none of the measures was implemented while writing this case study.

In addition, this phenomenon doesn't represent only an internal issue to be addressed. In other words, the overall population is getting older and this means there is a market opportunity to target that (potential) customer segment, reaching the so-called silver economy.

## EXHIBITS

**Exhibit 1 – EU28's active population distribution by group age**



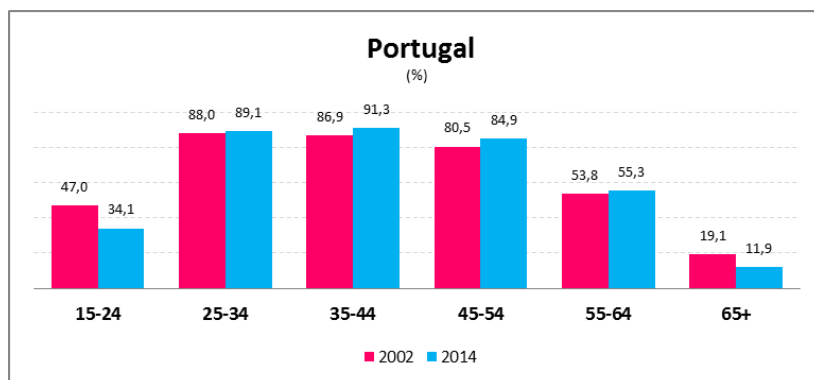
Source: FFMS (2016)

**Exhibit 2 – Ageing index in Portugal and EU28**

	2001	2014	Δ
<b>EU28</b>	94,1	119,8	25,7
<b>Portugal</b>	101,6	138,6	37,0

Source: FFMS (2016)

**Exhibit 3 – Portuguese active population distribution by group age**



Source: FFMS (2016)

**Exhibit 4 – Grocery Stores, Inc.'s Employees distribution by group age**

Group Age \ Months	< 25	25 - 34	35-44	45 -54	55 and over	Σ	45 and over
<b>Jan 2013</b>	4 084	7 451	5 328	2 951	975	20 789	3 926
(%)	19,65%	35,84%	25,63%	14,20%	4,59%	-	18,9%
<b>Jan 2014</b>	4 000	7 744	5 747	3 332	1 139	21 962	4 471
(%)	18,21%	35,26%	26,17%	15,17%	5,19%	-	20,36%
<b>Jan 2015</b>	4 216	8 042	5 833	3 303	1 201	22 595	4 504
(%)	18,66%	35,59%	25,82%	14,62%	5,32%	-	19,93%
<b>Jan 2016</b>	4 510	8 526	6 133	3 521	1 303	23 993	4 824
(%)	18,80%	35,54%	25,56%	14,68%	5,43%	-	20,11%
<b>Jan 2017</b>	4 533	8 620	6 210	3 722	1 391	24 476	5 113
(%)	18,52%	35,22%	25,37%	15,21%	5,68%	-	20,89%
<b>Δ 2013-2017 (%)</b>	10,99%	15,69%	16,55%	26,13%	42,67%	17,74%	30,23%

Source: Own elaboration

### Exhibit 5 – Workplace accidents by group age

Year \ Group Age	< 25	25-34	35-44	45-54	≥ 55	Σ Year	Σ Over 45
2013	14	95	42	33	22	206	55
2014	20	66	53	39	26	204	65
2015	33	87	69	38	21	248	59
2016	29	89	72	54	27	271	81
2017 (1st Trimester)	8	18	13	9	2	50	11
Σ Group Age	104	355	249	173	98	979	271
Δ 2013-2016 (%)	107,14%	-6,32%	71,43%	63,64%	22,73%	31,55%	47,27%

Source: Own elaboration

### Exhibit 6 – Employees' shares by group age and store section (Jan. 2017)

Store Section \ Group Age	< 25	25-34	35-44	45-54	≥ 55
Butchery	7,19%	33,93%	28,88%	19,36%	10,64%
Fishmonger	9,23%	31,27%	28,19%	23,00%	8,31%
Bakery	15,68%	39,55%	26,07%	14,24%	4,45%
Fruits & Vegetables	14,82%	36,19%	28,11%	16,23%	4,65%
Delicatessen & Take Away	15,83%	37,22%	26,50%	15,30%	5,15%

Source: Own elaboration

### Exhibit 7 – Severity and frequency indexes

Index \ Year	2013	2014	2015	2016	2017 (1st Trimester)
Severity Index (IG)	0,45	0,35	0,36	0,36	0,28
Frequency Index (IF)	36,73	34,32	39,38	36,93	36,53

Source: Own elaboration

Formulas:

Severity Index (IG)	Frequency Index (IF)
$\frac{\text{Absenteeism days}}{\text{\# Worked Hours in the company}} \times 10^3$	$\frac{\text{\# Accidents w/ medical prescribed absence}}{\text{\# Worked Hours in the company}} \times 10^6$

## REFERENCES

- Blake, Simon. 2015. *Six tips for addressing the ageing workforce*. Retrieved November 10, from HR Magazine <http://www.hrmagazine.co.uk/article-details/six-tips-for-addressing-the-ageing-workforce>.
- CBS. 2010. *How BMW Deals With an Aging Workforce*. Retrieved November 10, from CBS News <http://www.cbsnews.com/news/how-bmw-deals-with-an-aging-workforce/>.
- CIPD. 2015. *Avoiding the demographic crunch: labour supply and the ageing workforce*. London: Chartered Institute of Personnel and Development.
- CIPD. 2016. *Creating Longer, more fulfilling working lives: Employer practices in five European Countries*. London: Chartered Institute of Personnel and Development.
- Eurostat. 2016a. *Eurostat Statistics Explained - Population structure and ageing* Retrieved February 16, from [http://ec.europa.eu/eurostat/statistics-explained/index.php/Main\\_Page](http://ec.europa.eu/eurostat/statistics-explained/index.php/Main_Page).
- Eurostat. 2016b. *Eurostat Statistics Explained - Mortality and life expectancy statistics*. Retrieved February 16, from [http://ec.europa.eu/eurostat/statistics-explained/index.php/Main\\_Page](http://ec.europa.eu/eurostat/statistics-explained/index.php/Main_Page).
- European Union. 2014. *The 2015 Ageing Report - Underlying Assumptions and Projection Methodologies*. Brussels: Directorate-General for Economic and Financial Affairs.
- FFMS. 2016a. *População activa: total e por grupo etário*. Retrieved November 10 from PORDATA – Estatísticas, gráficos e indicadores de Municípios, Portugal e Europa <http://www.pordata.pt>.
- FFMS. 2016b. *Taxa Bruta de Natalidade*. Retrieved November 10 from PORDATA – Estatísticas, gráficos e indicadores de Municípios, Portugal e Europa <http://www.pordata.pt>.
- FFMS. 2016c. *Índice de Envelhecimento*. Retrieved November 10 from PORDATA – Estatísticas, gráficos e indicadores de Municípios, Portugal e Europa <http://www.pordata.pt>.
- Finish Center for Pensions. 2017. *Retirement Ages in Member States*. Retrieved May 14, from <http://www.etk.fi/en/the-pension-system-2/the-pension-system/international-comparison/retirement-ages/>.
- Gowler, Rebecca. 2015. *Older workers locked out of development opportunities*. HR Magazine. Retrieved November 10, from <http://www.hrmagazine.co.uk/article-details/older-workers-locked-out-of-development-opportunities>.
- Lopes, Albino and Luís Picado. 2010. *Formação Profissional Contínua: da Qualificação Individual à Aprendizagem Organizacional*. Lisboa: Edições Pedagogo.

- Rosa, Maria João. 2012. *O Envelhecimento da Sociedade Portuguesa*. Lisbon: Fundação Francisco Manuel dos Santos.
- Santos, Jorge. 2012. *Trabalho por Turnos: Que Consequências na Saúde dos Enfermeiros*. Escola Superior de Saúde de Viseu: Dissertações de Mestrado. Retrieved from Instituto Politécnico de Viseu 's website <http://hdl.handle.net/10400.19/1690>.
- Santos, Nicolau. 2016. *O Povo Português está a desaparecer*. Expresso Online. Retrieved December 30, from <http://expresso.sapo.pt/multimedia/259/2016-07-07-O-povo-portugues-esta-a-desaparecer>.
- Tishman, Francine M., Sara Van Looy and Susanne M. Bruyère. 2012. *Employer strategies for responding to an aging workforce*. Retrieved January 10, from [https://www.dol.gov/odep/pdf/NTAR\\_Employer\\_Strategies\\_Report.pdf](https://www.dol.gov/odep/pdf/NTAR_Employer_Strategies_Report.pdf).
- Viegas, Sílvia Judite. 2014. *Segurança Alimentar: Guia de boas práticas do consumidor*. Lisbon: Instituto Nacional de Saúde Doutor Ricardo Jorge, IP.
- Webb, Catherine. 2006. *Avoiding ageism and promoting diversity at Coca-Cola*. Strategic HR Review. Vol. 5, Iss. 5, 8-9. Retrieved March 28, from <http://dx.doi.org/10.1108/14754390680000902>.
- World Health Organization. 2017. *Ageism in the Workplace*. Retrieved January 31, from <http://www.who.int/ageing/features/workplace-ageism/en>