

# HORIZON

Risk Thought » Fast Forward

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**Social  
Disruption**

Risk Thought » Fast Forward



# When Do We Stop Firefighting?

Editorial

The world’s evolution has seen many eras which have had a dramatic impact on our lives. From the Agricultural Revolution, the Industrial Revolution through to the Technological Revolution, each has had a profound impact on how we live, how we socialize, and how we work. We are entering a new era - the Anthropocene Revolution - where man is having such a profound effect on our natural and working environments that our thoughts, processes, and fundamental beliefs are being challenged and transformed like never before, and human rights are hanging in the balance.

We are becoming increasingly diverse. Our younger generations – our future workforces – have vastly differing views to the older generations at the heart of industry. Our workforces are becoming leaner and our exposures to errors and accidents at work is increasing as a result.

Social transformation is the way society changes in reaction to economic progress, scientific breakthroughs, technological advancements, and periods of conflict or political instability, and it is currently happening at such a pace our workforces

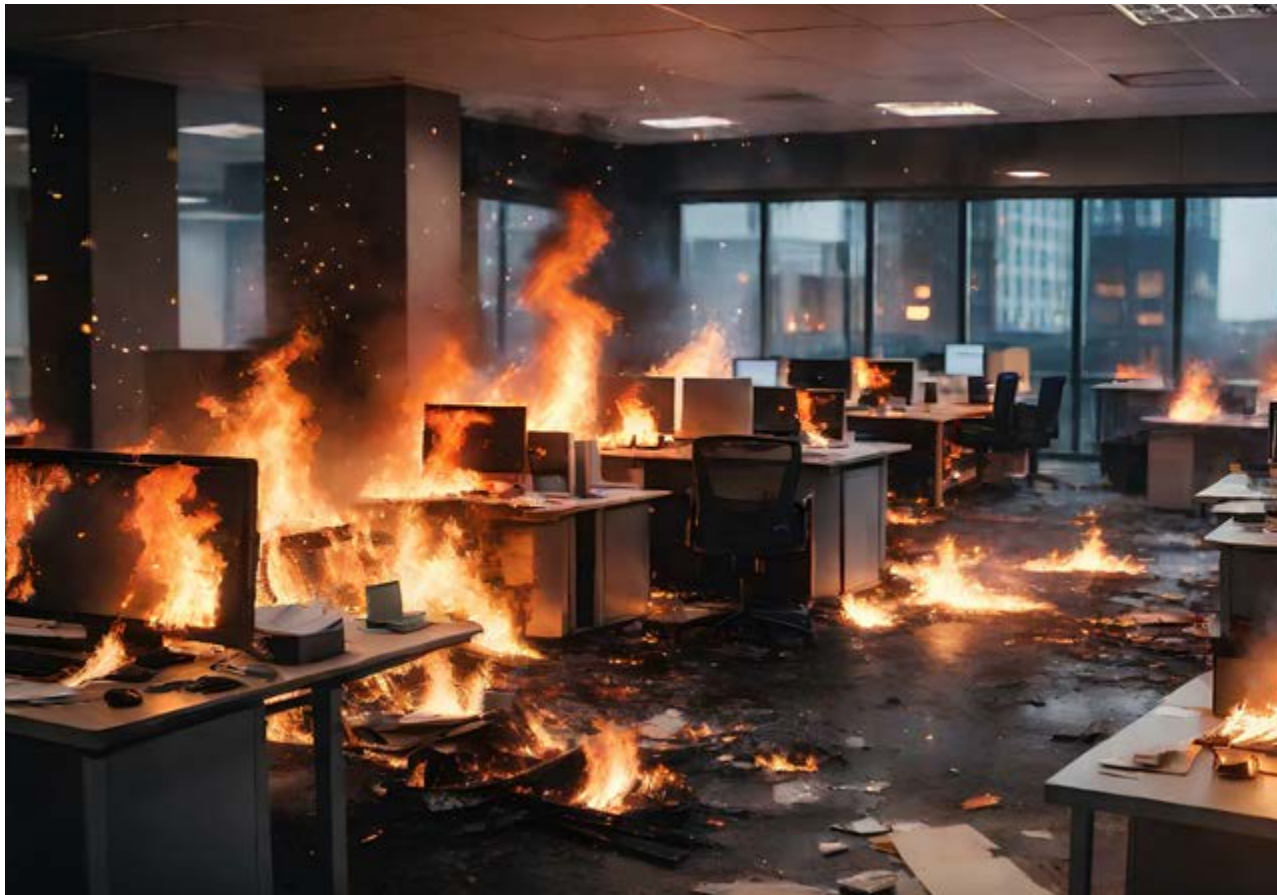
are struggling to keep up. Alongside this rapid metamorphosis our people as a resource are changing equally as fast. Organisations must adapt their corporate policies to retain and attract the very best people and to have thriving workforces that are future resilient. We must predict future social transformation and prepare for them today.

In this edition of HORIZON, we look at the Age of the Human and analyse its impact on our future working environments and assess how the risk landscape is being driven by our behaviour.

A far cry from the Greek myth about the Ages of Man, this is reality. Not to act now, not to plan today for risks of the future, could leave the working world in a dire state in years to come.

## A diversifying workforce

If you look at the largest organisations in CEE most employ people spanning four different generations, from a multitude of different nationalities and cultural



backgrounds, with a plethora of different abilities and disabilities, and an array of personal values and beliefs. We are living in an age where we, quite rightly, positively encourage diversity in the workplace; not just for equality and inclusion sakes but for gaining unique, valuable skills. As our personnel are becoming more diverse, we need to cater for this ever-evolving mix of people if we are to win the war for talent. It is a fine balancing act of providing benefits, career opportunities, training, and different modes of working, with a cohesive company culture and profitability.

Thanks to people retiring earlier, the mortality rate outweighing the fertility rate, and the possibility of easy migration between countries, human beings today have more choice than ever before about how they work, where they work, and who they work for. As employers adapt to attract the very best employees, this ever-evolving wealth of choice at work is set to boom. The value of people as a resource is skyrocketing bringing new working models with new, not yet seen risks.

#### With diversity comes a change in values

Humans have always had a thirst for knowledge and never has this been fuelled as much as it is today. With the rise of technology and AI any information is readily available to us at the click of a button or the flick of a screen. This is changing the way we think, the way we consume information, and the speed in which we expect things to be done. As these dynamics change in

our personal lives, so too do our work expectations – and things are changing fast!

The core values of Generations Y and Z are vastly different to those of Generation X and Baby Boomers. These younger generations have grown up in an age of plenty mired by multiple crises and threats to personal and environmental security - wars, the pandemic, the migration crisis, and climate change have all featured prominently in their lives. As we've seen with the likes of Greta Thunberg and Xiuhtezcatl Martinez, they care passionately about these topics and are campaigning as young teenagers on a global stage to fight for their causes. Yet industry is built on the materialistic values of Baby Boomers where KPIs are always financial. What does this mean for our future businesses?

### » Purpose needs to become a goal replacing the traditional focus on financial growth. «

As our workforces and products diversify there is a massive shift from shareholder value to people value taking place in the corporate world, but our businesses and products are not adapting to meet it. Purpose needs to become a goal replacing the traditional focus on financial growth. Our clients want to see and feel purpose in our brands, and this ultimately stems from those they do daily business with. As such, we-cultures are becoming all-important

and businesses which effectively create stable workplaces with a sense of community and employee-worth at the heart of them are the most likely to deliver financial success and impeccable client service. These are the businesses which will be the most resilient in the future.

Is it possible to build meaningful non-financial KPIs into a company? How do we transition from being client centric to people centric so that we can win the war for talent? How do we protect ourselves from the risks that this ever-widening rift between the current and the future workforce is inevitably going to create? How do we mitigate the risks for new products and services being created to fill the voids between the generations? Lots of questions! All of which need answering today.

#### The shrinking skill set crisis

According to the World Economic Forum, by 2027 businesses predict that almost half of workers' core skills will be disrupted. They also cite that over the next five years, an estimated 23% of jobs will undergo transformation, necessitating millions of individuals to transition from declining roles to those on the rise. The biggest risk for organisations under these circumstances is the transferability of skills, the loss of skills, and the resulting impact on employees' mental health.

Businesses are losing skilled labour, and this will only escalate over time. The knock-on effect is that economic targets cannot be met due to capacity bottlenecks because of smaller workforces. This in turn means an impact on sales, and organisations are left with the need to increase per capita productivity because they are having to achieve more with fewer people whose mental health will be increasingly challenged as a result. This scenario is not infinitely possible. With increased stress and pressure, comes greater risks of human error which can put supply chains out of action, open organisations up to cyber-attacks, endanger the health and safety of operations and workforces, and more. It is essential that safety in the workplace does not fall victim to productivity. We need to plan for these future scenarios and have strategies in place to minimise the risks of human error and declining mental health before they happen, not after the event.

As practical skills decline and the war for talent continues to rage, industry is finding it cannot up-skill its employees quickly enough to meet technological advances. The race to reskill and retain will begin to play a more prominent role to prevent workforces from collapsing. The most resilient businesses will be the ones whose people are continually well trained in line with technological advances.

Furthermore, humans have become migratory which again contributes to the shortage of skills in certain regions. We follow our hearts to the countries with the best career opportunities, the best working conditions, the best work life balance, or the best climate. As global

warming continues apace, we will see more and more skilled labour migrating northwards to escape extreme heat and drought unless organisations can offer them the right conditions in which to work or governments strive to counteract climate change at every turn.

#### Is industry being failed by the education system?

It is becoming clearer by the day that today's education system is not providing graduates who are equipped to meet our future employment or business needs. Should it? Is it governments' responsibilities to educate children and young adults in such a way that they are work ready? It is undeniable that because schools are state run, they will never be able to change as quickly as society is changing. Schools and universities are reactive to change. And our youngest generations – our employees of tomorrow – are chiefly growing up learning different skills, delivered in new and exciting technological ways at home, and being educated in outmoded archaic school environments.

Practice shows the current system doesn't work. Industry is starting to bear the responsibility to train, educate and build the workplace skills and knowledge for the next generations after they have left education. So, how do we avoid the risk of scores of future generations ready to work yet not having the necessary skills to do so? How can the corporate world contribute in the right way? Should industry be shouting more loudly about the need for educational change and lobbying politicians? Should we be offering in-school training programmes and apprenticeships? The answers are unclear but the reality we are headed towards is not.

#### Tomorrow will be too late!

In this new Anthropocene Age, the main risks are people's actions and reactions. All too often, we are reacting to unforeseen risks caused by conscious human decisions, and then left firefighting when incidents occur. We are channeling unprecedented amounts of money into cleaning up the risks after they have happened. It's not sustainable. The cost of reacting will escalate until it is out of control, mounting pressure on our workforces until industry is crippled and mental health teeters on the brink.

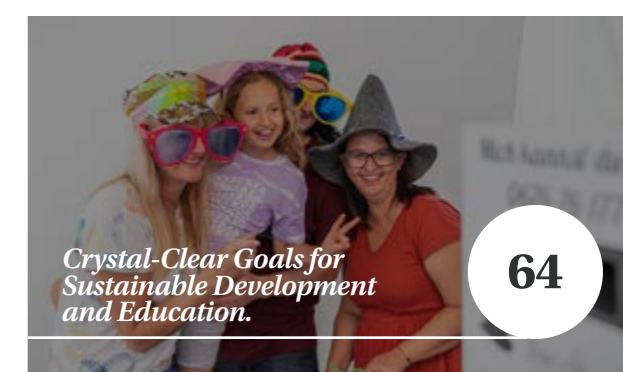
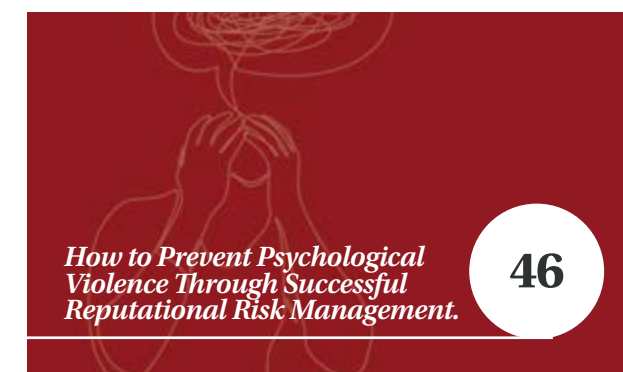
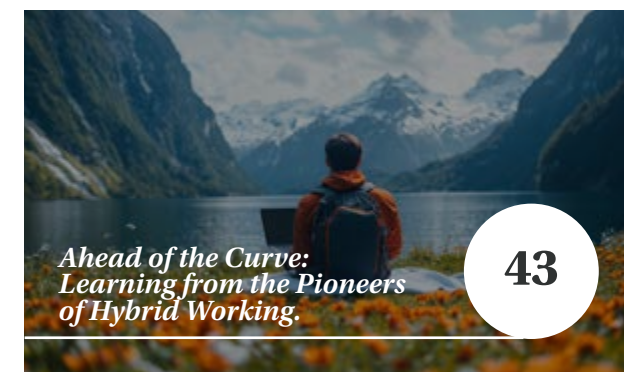
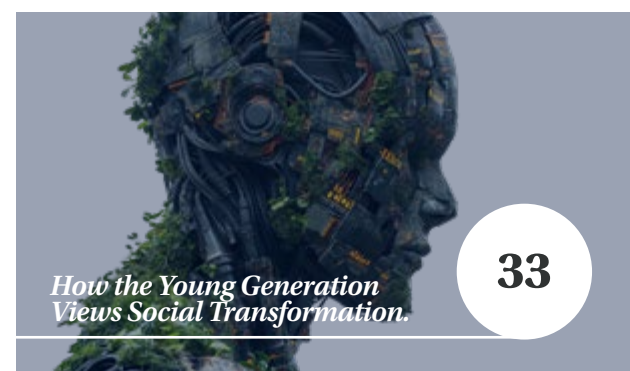
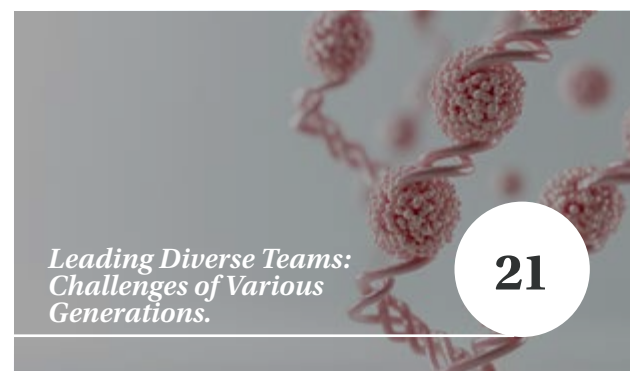
At what point do we stop? At what point do we invest in the future and stop firefighting? At what point do we take control of our risks and practice conscious risk management to counteract the risks caused by the conscious decisions we are making? It is our responsibility to shift our mindsets, to make decisions whilst consciously looking to their future impact, and plan for imminent risks today, because tomorrow might just be too late.

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# Mum or CEO - Why Not Both?

*Is it a cliché to think women must work harder to succeed in male-dominated industries? Jürgen Spari discusses key gender issues with Nina Zechner, Deputy Managing Director of the Federation of Austrian Industries Styria.*

**Spari:** You are working very successfully in the heart of Styrian industry, in a male-dominated world at the Federation of Austrian Industries Styria (IV). How did this come about, and how do you feel about it?

**Zechner:** Industry is often seen as male-dominated. That may still be true to some extent, but it is undoubtedly becoming more female-centric. Today, a quarter of industrial apprentices are female, and there are increasingly more women in management positions or in prospective management positions. As in any other field, I am convinced that in the end it is about competence in what you do - regardless of gender.

**Spari:** Have you had to overcome challenges?

**Zechner:** I've been with the IV for ten years. Back then, I entered an environment where you had to assert yourself - regardless of whether you were a man or a woman. I don't want to play into the old clichés that women must do more and more and that it's harder and harder for them. I think any young person or young manager, male or female, will face similar challenges when entering an area that is already established. You must work for your career no matter what gender you are; and that's how it was for me too. It's by no means unique to industry, it's simply the career path.

## Getting the childcare balance right

**Spari:** You have been working with Young Industry Styria for several years to improve work-life balance. In your opinion, what measures should politicians take to make it easier for women to return to work?

**Zechner:** The issue of childcare and balancing family and career is multifaceted. Gender aside, I think you have to offer both men and women the same opportunities when it comes to work-life balance, especially as more young men are deciding to take on a caring role.

Flexibility, availability, and affordability of high-quality services are essential. Above all, we need a wide range of services which are compatible with parents' working hours. It is only possible to reconcile work and family life if it is possible to have children in the best care during working hours. I therefore think politicians have a lot to do in the childcare arena. They need to create the right framework conditions.

## Redressing family life stereotypes

**Spari:** Are more measures needed to motivate men to take on more responsibility in family life?

*» We need to finally move away from outdated patriarchal role models and adapt to the modern family of today. «*

**Zechner:** We need to pursue several approaches to make the compatibility of family and career a matter of course. I think this falls in to two distinct levels. Firstly, there is the individual level. We have to discuss with families how they can divide up the tasks and create a fair balance. Secondly, there's the societal level. We need to finally move away from outdated patriarchal role models and adapt to the modern family of today.

I believe much still needs to be done in Austria to ensure childcare is no longer viewed as predominantly a female responsibility. This stereotype is also unfair to men, as it implies they aren't trusted with childcare. Childcare is a family affair, and we need to change outdated mindsets and provide role models to achieve sustainability.

**Spari:** What steps are needed to support women CEOs in balancing motherhood, emphasising that they shouldn't have to choose between their careers and starting a family?





**Zechner:** "Mum or CEO" is one of many headlines in our latest campaign "Our industry is rethinking", which aims to show it's not an either-or situation in Styrian industry. It is important to us to bring things into balance. We are firmly convinced that it is already "Mum and CEO" and we've some great examples in Styria where this is already true: successful women can and do manage full-time jobs and family life.

We need to clearly communicate to women and men that they can do anything and that they will receive the best possible support in their endeavours. Once again, it's childcare that makes or breaks everything, because - without additional support from family - a full-time job is honestly not compatible with a full day at a kindergarten which closes at 4pm. Even if the child is well looked after from 8am to 4pm, you still need to allow for the commute, which leaves very little time to properly pursue a career.

### » It's childcare that makes or breaks everything. «

A key aspect of this part-time issue is that the proportion of women in part-time jobs, at over 50%, is much higher than that of men, making it one of the highest figures in Europe. Childcare also plays a crucial role in connection with the shortage of skilled labour, and is not only important for mothers, but also for families, society, and industrial companies.

#### The role of politicians in changing social awareness

**Spari:** In this context, let's also look a little into the future. When will we get to the point where it's no longer mum or CEO, but parenthood or CEO and what do politicians need to do to achieve this?

**Zechner:** Ideally, in the future it will also be parenthood and CEO. I think what is needed above all is a change in social awareness, in which politicians can help to enable more flexibility and create more childcare facilities, and not just for children. Women also have to deal with the whole issue of caring for elderly relatives. This is quite common once the children have grown and don't need as much care. Families are then faced with caring for aged relatives,

a responsibility which mostly falls on women. There needs to be widespread awareness that both genders can equally fulfil this role effectively, and that there are specific external support services and new concepts available. We need to rethink this topic: what would it look like if we were to reorganise it from the ground up?

#### Learning from other countries

**Spari:** Are there international examples, that we can learn from, where the issue of childcare in particular has been solved well?

**Zechner:** We often look to the classic Scandinavian examples where many things seem to work more organically. However, we also know that it took a long time for these countries to reach their current level of childcare. We exchanged ideas with Sweden a few years ago and it turned out that the impetus, this desire for more and better childcare, really came from society. At that time, Sweden faced a significant shortage of skilled labour, prompting society to recognise well-qualified women eager to work and contribute beyond childcare. This recognition sparked a movement that shaped Sweden's current childcare infrastructure.

What's more, it is also normal in Sweden for men to be involved in the childcare. Men get funny looks when they don't pick up the children from nursery. Work-life balance is different in the Nordic countries because they have simply taken a different approach to it.

**Spari:** But that implies that Sweden has a significant advantage from the outset.

**Zechner:** They have simply taken a different path and therefore have a head start. Whether this is directly transferable to Austria is another question, but I genuinely believe things are moving in the right direction here. At Junge Industrie, we have been working intensively on this topic since 2018 and have come to realise that although we are only taking baby steps, we are happy to be on the move.

For us, the question is always: which comes first, supply or demand? We are big supporters of supply-induced demand and are convinced there must be sensible, high-quality afternoon care programmes in rural areas for them to be utilised. We often hear the argument that there is no demand at all for these services. Our reply is that of course there isn't at the moment, because families have cobbled together a support network through friends or family, like grandma and grandpa to survive. However, we are certain there would be strong demand for comprehensive, high-quality services if they were readily available. We know around 40% of women who currently work part-time would like to work more but say they can't due to their responsibilities caring for children and relatives. In view of the acute shortage of skilled labour, we need to be doing something about childcare to address the issue.

#### Should companies offer more childcare facilities?

**Spari:** Let's take a look at the side represented by the Federation of Austrian Industries. What measures do companies need to take to ensure this compatibility?

**Zechner:** I believe companies are already doing a lot. I mentioned the shortage of skilled labour earlier. This is putting companies under a lot of pressure and so they are already offering a host of benefits such as flexible working hours and company nurseries to make themselves more attractive.

For us, however, it's crucial childcare remains primarily a public sector responsibility, and that companies, irrespective of their size or location, should not intervene in this domain. That said, if there are companies willing and capable of providing childcare voluntarily, it would be a valuable additional option.

#### The impact of part-time work on the pension gap

**Spari:** Earlier, you mentioned women in part-time work. What does this mean in terms of the pension gap? Could benefits help close this gap and make employers more attractive?

**Zechner:** It's important to consider that prolonged part-time work can have adverse effects. Besides the gender pay gap, there's a notable issue with pension disparities. It's crucial to raise awareness: If your contributions to the system are on a part-time basis, you may face disadvantages in the long run. In regard to this, there are interesting calculations which show what part-time work means over a lifetime. Many people don't realise we're talking about a loss equivalent to the price of a nice condominium in Graz! As such, I think it's only fair to make this problem clear and transparent for part-time workers so they can make an informed personal decision.

#### Demonstrating progression, sustainability and social commitment

**Spari:** What are the aims of the Styrian Federation of Industry's "Our Industry is Rethinking" initiative? The slogans in particular are very concise and thought-provoking.

**Zechner:** Through our comprehensive, broad-based communication platform "Our Industry is Rethinking" we aim to show the people of Styria the progressive, sustainable, and socially committed nature of Styrian industry towards its employees.

Through multiple campaigns, our first step was to address the issue of balance. We have been through turbulent times and, to be honest, have not yet fully recovered. We want to bring certain aspects back into balance. To do this, we first looked at the personal opportunities that companies offer their employees.

We focused on climate, innovation, and sustainability. The overarching idea was to show what industry can do, what it stands for and how innovative it is. We want to do away with old clichés and emphasise the great companies in Styria; not only showcasing their services and products, but also demonstrating the responsibility they undertake across various areas, from climate protection to work-life balance.

Styrian industry is very diverse, and we want the people of Styria to be proud of their industry and also recognise that prosperity in our state is closely linked to industry.

**Spari:** What contribution does the campaign make to the "social" aspect of sustainability in ESG?

**Zechner:** As I mentioned earlier, we looked at various topics and one of them was "Mum or CEO". We wanted to discredit the prejudice that women in industry cannot take on management positions if they want to have a family at the same time. To do this we showed many examples where this has proved possible, showcasing very personal stories. We focused on the people who give Styrian industry a face and illustrated how they navigate the delicate balance between career and family life, which in many instances is run-of-the-mill.

**Nina Zechner**  
Deputy Managing Director  
Federation of Austrian Industries Styria



**About Nina Zechner**  
Since January 2020, Nina Zechner has served as the Deputy Managing Director at IV Styria, having previously held the role of PR and Press Officer since April 2014. She studied communication science at the University of Salzburg and holds an MBA from LIMAK Austrian Business School.

**About Federation of Austrian Industry (IV) Styria**  
IV Styria represents a voluntary platform of industrial companies, advocating for their interests while promoting sustainable economic policies. Politically independent and dedicated solely to its members, IV Styria represents 80% of Styrian companies with over 250 employees. It fosters respect and social fairness in the region, aiming to set a model for sustainable economic systems globally.

**About Young Industry (JI) Styria**  
JI Steiermark is the young talent organisation of the Federation of Austrian Industries Styria and offers young and prospective managers in industry a platform for exchanging opinions and experiences.

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## Breaking Barriers: One Woman's Mission to Challenge Gender Norms in Albania

*Fatmir Milaqi spoke with Arjeta Puca, a trailblazing entrepreneur and the founder of Timak, one of Albania's leading machinery and superstructure companies, about challenging gender norms and advancing gender equality.*





*Milaqi: Arjeta, could you start by sharing the history of Timak and what inspired you to establish the company?*

**Puca:** Of course. Timak was founded seven years ago when I returned to Albania after spending 25 years abroad. My experience working in Germany, Japan, and my family’s business in Turkey provided me with a strong foundation in manufacturing and entrepreneurship. In Albania, I saw a significant deficiency in manufacturing and assembling. I wanted to bring this knowledge back to my home country and create something that would not only contribute to Albania’s economy but also challenge the gender norms in our society. Timak was born out of this vision - a company dedicated to domestic production and the empowerment of women in a male-dominated industry.

**The transformation of gender equality in Albania**

*Milaqi: That’s an admirable mission. What’s gender equality in Albanian industry like as a whole?*

**Puca:** Albania’s industry still operates within a predominantly patriarchal system. Many people are not accustomed to seeing young women discuss technical subjects like fire trucks or military vehicles. This remains a surprise even for many Western companies, indicating a broader global challenge. However, we are making strides in changing these perceptions through consistent performance and visibility.

*Milaqi: In what ways do you think the industry has changed (or not) regarding gender equality since you started?*

**Puca:** We are beginning to see normalisation. Although this may appear as a small step on the global stage, it represents significant progress for us. We no longer face difficulties in recruiting female employees, and our clients have become accustomed to interacting with our women employees. This shift in attitude is encouraging and signifies that change is possible with persistent effort.

**Thriving as a woman in a predominantly male sphere**

*Milaqi: Timak operates in a traditionally male-dominated industry. What challenges did you face as a woman founding and leading this company, and how did you overcome them?*

» *Many people couldn’t believe that a woman could lead a company in such a technical and demanding field.* «

**Puca:** The challenges were significant. From scepticism about my capabilities to outright bias, I faced numerous obstacles. Many people couldn’t believe that a woman could lead a company in such a technical and demanding field. To overcome these challenges, I relied on my knowledge, perseverance, and the support of my team. I focused on delivering exceptional results, which gradually

changed perceptions. I also made it a priority to mentor and support other women in the industry, demonstrating that gender should never be a barrier to success.

*Milaqi: Have you found any unique advantages to being a female business owner in this industry?*

**Puca:** Absolutely. Women are often perceived as more trustworthy in business, which is crucial when negotiating with potential clients. Also, a woman leading in this field attracts positive media attention and brand visibility. Additionally, it opens doors to networks and support systems dedicated to promoting women in business, turning our uniqueness into a powerful asset.

*Milaqi: Your company has two core philosophies: contributing to Albania and promoting women in male-dominated businesses. Can you elaborate on how Timak embodies these principles?*

» *Promoting women in male-dominated businesses is a core value for us.* «

**Puca:** Our commitment to these philosophies is evident in everything we do. We contribute to Albania by creating jobs, advancing technological capabilities, and participating in international projects that bring recognition to our country. Our products, proudly made in Albania, are now in more than 20 countries.

Promoting women in male-dominated businesses is a core value for us. We ensure women are involved in every aspect of our production process, from design and engineering to manufacturing and management. We believe diverse perspectives lead to better innovation and solutions.

**Making a global impact**

*Milaqi: Timak’s ambulances and emergency vehicles have been delivered to war zones around the world, including Libya, Ukraine, and Israel. How does it feel to know that your products are making such a significant impact globally?*

**Puca:** It’s incredibly fulfilling to know our products are making a real difference in some of the most challenging environments in the world. Delivering ambulances and emergency vehicles to war zones means we are contributing to saving lives and providing critical support where it’s needed most. It also showcases the reliability and quality of our work, proving that Timak can meet the highest standards of performance and durability.

*Milaqi: What initiatives or collaborations have you participated in to support women in your industry or related fields?*

**Puca:** We actively collaborate with professional schools, offering internships to young women. This



practical experience is invaluable in preparing them for careers in our industry. Additionally, we aspire to establish our own private professional school in the future to further support and train girls in these professions. By creating such opportunities, we aim to build a strong pipeline of female talent.

*Milaqi: Do you believe there are specific skills or qualities that women bring to leadership roles that are particularly beneficial in your industry?*

**Puca:** Absolutely. Women tend to have a meticulous attention to detail, which is crucial in manufacturing and production. They also approach their work with passion and dedication, often going beyond mere financial motivations. This level of commitment translates into high-quality products. Furthermore, women’s collaborative and empathetic leadership styles can foster a more inclusive and supportive work environment.

**Future goals for gender equality in industry**

*Milaqi: What changes would you like to see in the industry to further promote gender equality?*

**Puca:** I would like to see more companies taking proactive steps to include female interns in their workforce. This exposure is essential for young women to see firsthand that these roles are attainable and not restricted by gender biases. Additionally, there should be a stronger emphasis on diversity and inclusion training within organisations to address unconscious biases and create a more equitable workplace.

*Milaqi: Looking ahead, what are your goals for advancing gender equality within your business and the broader industry?*

**Puca:** Our goal is to serve as a role model and showcase the impact and success we have achieved with a predom-

inantly female workforce. By promoting our experiences and results, we hope to inspire other companies to adopt similar practices and foster a culture of gender equality.

*Milaqi: And finally, what advice would you give to other women looking to enter or excel in this male-dominated field?*

**Puca:** I encourage women to explore opportunities in new sectors without limiting themselves to traditionally female-dominated fields. There are numerous advantages and opportunities available in male-dominated industries.

**Arjeta Puca**  
Entrepreneur and Founder  
Timak



**About Arjeta Puca**  
Arjeta Puca is an entrepreneur and founder of Timak. She has achieved significant milestones, including becoming the first Albanian producer of military vehicles and delivering high-quality emergency vehicles. She is renowned for her dedication to promoting gender equality in male-dominated industries, employing a predominantly female workforce, and actively supporting women through educational initiatives and professional development.

**About Timak**  
Timak is one of Albania’s leading machinery and superstructure companies. Its mission is to contribute to the development of Albania by making domestic production with high quality, and to create opportunities and support women in male-dominated industries. The organisation has earned its place among Albania’s leading machinery and superstructure companies since 2016 and provides high-quality services in more than 20 countries.

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# Ensuring Equal Pay for Future Generations: Closing the Gender Pay Gap

*Ewelina Jaworska-Bien shares her insights on the hot topic of the gender pay gap. She discussed strategies to help organisations meet EU directives and ensure equal and fair pay for both men and women with Gabriele Andratschke and experts Martina Ernst and Johannes Schestauber.*

As with every parent I want my children to be safe and healthy, I want to provide them with the same opportunities in life and to support their education. I strongly believe that all parents share the same dream and want their children to have a good start in life, equal rights and be treated fairly. However, with statistics showing women are still paid considerably less than men for similar roles, it is clear that we as a society have a huge amount of work to do to futureproof remuneration so our children can be paid equally for the same job done.

As of 2023, women globally earned about 83 cents for every dollar earned by men. This means, on average, women are paid about 17% less than men for similar roles. The gap varies by region and industry, but overall, it highlights the ongoing issue of gender inequality in the workplace. When I look at the statistics I can hardly believe that in the 21st century just because someone was born a woman she is paid less. What is 20%? 20% is 1 out of 5 working days. 20% is a man only working Monday to Thursday whilst a woman has to work Monday to Friday to receive the same salary!

## Factors contributing to the gender pay gap

The gender pay gap is not a simple phenomenon, but the result of multiple interrelated factors that affect women's earnings and opportunities in the labour market. One significant factor is occupational segregation, where women and men tend to work in different sectors and occupations. Women are more concentrated in lower-paying

fields such as education, healthcare, and social services. This segregation limits their earning potential compared to men who are often found in higher-paying industries.

*» The gender pay gap is not a simple phenomenon, but the result of multiple interrelated factors that affect women's earnings and opportunities. «*

Another contributing factor is the motherhood penalty. Women are often hampered in terms of wages and career prospects when they become mothers. This is due to reduced working hours, career interruptions, and employer discrimination. These challenges make it difficult for women to advance in their careers and earn salaries comparable to their male counterparts.

Part-time work is also more common among women than men, either voluntarily or involuntarily. Part-time positions typically offer lower hourly pay, fewer benefits, and less job security than full-time roles. This further exacerbates the gender pay gap, as women are more likely to be in these less favourable employment situations.

Discrimination in the workplace is another critical issue. Women may encounter gender bias and stereotypes that limit their access to hiring, promotions, training, and pay



rises. This discrimination hinders their career growth and contributes to the persistent pay gap.

Additionally, women are underrepresented in senior and leadership positions, which tend to have higher salaries and more influence over organisational policies and practices. The lack of female managers means fewer women have the opportunity to earn higher wages and shape workplace culture.

Educational attainment has seen significant progress for women, but barriers and gaps remain in certain fields, such as science, technology, engineering, and mathematics (STEM). Women often need higher levels of education than men to earn comparable wages, highlighting the ongoing challenges they face in achieving pay equity.

And lastly, women bear a disproportionate share of unpaid work, such as domestic tasks and caring for children, elderly, and sick relatives. This unpaid labour reduces their time and energy for paid work and career development, further contributing to the gender pay gap.

These factors combined create a complex and persistent gender pay gap that requires multifaceted solutions to solve it.

Legislative action and strides toward gender pay equity in the EU

In order to tackle the gender pay gap, the EU has enacted a raft of legislation to address the core issues:

The Pay Transparency Directive was introduced by the EU in April 2023 in a bid to combat pay discrimination and reduce the gender pay gap in EU countries. By making pay practices more transparent, banning pay history questions and allowing employees to request pay information, the directive requires firms to disclose information on how they pay men and women.

Companies with at least 100 employees must report on their pay gaps, and those with a pay gap of 5% or more must take corrective actions. What’s more, the directive supports the Corporate Sustainability Reporting Directive (CSRD), which also asks companies to report on their pay gaps and ratios. EU member states have until June 2026 to implement the directive into national law. The clock is ticking!

In addition, the EU’s introduction of the Directive for Gender Balance on Corporate Boards requires large, listed companies to attain at least 40% of the underrepresented gender on their supervisory boards, or to ensure 33% among all directors. It also provides legal requirement safeguards for clear objective and transparent board appointment procedures, with objective assessment based on qualification and merit, irrespective of gender.

And thirdly, the EU is focusing on shared responsibility. Care responsibilities for young families and elderly parents should fall on both male and female shoulders. In April

2017, the core of the EU’s directive on work life balance for working parents and carers centred around providing equal possibilities for men and women to combine private and working responsibilities to care for dependents.

Essential steps to navigate gender pay transparency

Understanding gender pay transparency is crucial in addressing pay equity within an organisation. From a human resource perspective, it's about ensuring fairness and equality in compensation, irrespective of gender.

To grasp gender pay transparency, companies need to start by conducting a thorough assessment of the current pay structure. This involves analysing job roles, responsibilities, and compensation across all levels to identify any disparities that may exist. It's essential to approach this analysis with an objective lens, ensuring that any pay differences are justified by factors such as experience, education, and performance, rather than gender.

Once any pay gaps are identified, HR can take a proactive role in developing and implementing transparent policies that address these issues. This includes creating clear guidelines for compensation that are based on measurable criteria, such as job performance, qualifications, and market benchmarks. By making these policies known to all employees, HR can foster a culture of trust and openness, which is fundamental to achieving pay equity.

Furthermore, to maintain gender pay transparency, HR should establish regular monitoring and reporting mechanisms. This ensures that the organisation remains accountable for its commitment to pay equity. Regular pay audits, coupled with transparent reporting to stakeholders, can help to track progress and demonstrate the organisation's dedication to this important issue.

Educating employees and management about the importance of gender pay equity is another critical role for HR. This can be achieved through learning sessions, workshops, and seminars that highlight the benefits of a fair pay system, not just for individuals, but for the organisation as a whole. By raising awareness and promoting dialogue, HR can help to shift mindsets and encourage practices that support gender pay transparency.

Finally, HR should encourage open dialogue about compensation within the organisation. This means creating safe spaces where employees can discuss their pay and any concerns they may have without fear of retaliation. Open communication can lead to better understanding and cooperation between employees and management, paving the way for more equitable compensation practices.

“These steps, grounded in the principles of fairness, transparency, and accountability, can help HR departments lead the way in achieving gender pay transparency and ultimately, pay equity within their organisations”, Gabriele Andratschke, Head of Human Resources, GrECo Group.

Overcoming challenges within the organisation

However, where there is change there are challenges and achieving gender pay transparency within organisations is no different. Among the hurdles that HR departments may face are cultural resistance and data complexity. A longstanding culture of secrecy around compensation can make the shift towards transparency daunting. Overcoming such resistance requires a change in mindset and a strong commitment from leadership.

Additionally, the task of gathering and analysing compensation data is not without its intricacies, particularly in large organisations with diverse job roles and structures. Ensuring that the data is accurate and consistent is crucial for drawing meaningful insights.

» The journey towards pay equity is not just a regulatory obligation but a moral imperative that benefits the entire organisation. «

Legal and privacy concerns also pose significant challenges. Organisations must carefully navigate legal regulations and privacy laws while striving for transparency, balancing the need to disclose pay information with the obligation to protect employee privacy.

What’s more, unconscious biases can further complicate efforts towards equitable compensation. These biases may subtly influence compensation decisions, creating disparities that are not immediately visible. Regular training and awareness programmes are essential to address and mitigate these biases, as is effective communication. Articulating the objectives and actions of gender pay transparency initiatives in a clear and consistent manner is vital to ensure all stakeholders are on the same page.

Maintaining pay equity is an ongoing endeavour. It requires continual audits, policy updates, and training to sustain the progress made. By recognising and proactively addressing these challenges, organisations can make substantial strides towards gender pay transparency, fostering a more equitable and inclusive workplace environment. In the end, the journey towards pay equity is not just a regulatory obligation but a moral imperative that benefits the entire organisation.

Conclusion: Expert insights on promoting gender pay equality

“The more diverse and colorful the corporate workforce becomes, the more important it will be for employers to include everyone respecting their differences and creating a sense of belonging in a culture of fairness, because only when everyone pulls together will the company succeed.

And equal pay is only the tip of the iceberg,” Johannes Schestauber, E&S FairEqualSolutions FlexCo.

Gallup research shows that the higher employee engagement, the higher corporate productivity and profitability: clear, transparent remuneration processes and structures increase the feeling of fair and equal treatment and drive engagement.

“Organisations must work towards achieving a higher representation of women in managerial positions. Implementing internal quotas or key performance indicators (KPIs) to promote women to management roles, and considering part-time or shared management positions, can improve gender balance”, Martina Ernst, E&S FairEqualSolutions FlexCo.

Flexible working time models are equally important. Introducing flexible working hours, home office options, and part-time opportunities can help employees balance work and family life. Encouraging paternity leave is also crucial for fostering an inclusive environment. And none of these things should impact fair remuneration, whether you’re a man or a woman.

My hope for the not-too-distant future is that these principles become ingrained in the very fabric of our corporate cultures, futureproofing salaries for our children when they enter the workplace. I envision a world where pay equality is no longer an aspiration but a reality, where every employee feels valued and fairly compensated for their contributions regardless of gender, race, or any other distinguishing factors.


Achieving true equality in pay would not only reflect justice and fairness but would also harness the full potential of a diverse and inclusive workforce, driving innovation and success for companies worldwide.

For sources see the article on our website. <https://greco.services/bridging-the-gender-pay-gap-ensuring-equal-pay-for-future-generations/>


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# Leading Diverse Teams: Challenges of Various Generations

*Leading diverse teams poses unique challenges, particularly when managing different generations. Elif Duru Gönen, Talent Development Consultant at DuruGonen, explains why understanding these differences is crucial for fostering a cohesive and productive work environment.*

**Why are generations so different?**

Generations are shaped by the socio-economic and technological contexts of their formative years. Baby Boomers grew up during post-war prosperity, which fostered a strong work ethic and loyalty to employers. Generation X experienced economic volatility and the rise of personal computing, making them independent and adaptable. Millennials came of age during the digital revolution, valuing connectivity, and social responsibility. Generation Z, the first true digital natives, are shaped by a world of instant information and social media, leading to their pragmatism and entrepreneurial spirit.

Whether you're talking Baby Boomers, Gen X, Millennials or Gen Z, each generation's unique experiences have led to differing views on work, communication, and success. These generational differences are not just about age but about the shared experiences that define a cohort's values and behaviours.

**Challenges for companies**

The diverse characteristics and expectations of these generations bring several challenges for companies:

**Communication styles:** Each generation has its preferred communication method. Baby Boomers may favour direct, face-to-face interactions, while Millennials and Gen Z prefer digital communication like instant messaging and emails. Ensuring effective communication across these preferences can be challenging.

**Technological proficiency:** Millennials and Gen Z are adept with the latest technologies, whereas Baby Boomers and

some Gen Xers may need more training and support. Bridging this technological gap is essential for smooth operations and inclusivity.

**Work expectations:** Balancing the varying expectations regarding work-life balance, career development, and job stability is complex. For instance, Gen X values flexibility and autonomy, while Millennials seek mentorship and purpose in their work. Companies must navigate these diverse needs to maintain morale and productivity.

**Resistance to change:** Older generations might resist changes that younger employees embrace. Managing this resistance involves clear communication of the benefits of change and involving team members in the transition process.

**Conflict resolution:** Different values and work styles can lead to conflicts. For instance, Baby Boomers' preference for hierarchical structures might clash with Millennials' collaborative approach. Companies need effective conflict resolution strategies to address these differences.

**Employee retention:** With Millennials frequently changing jobs and Gen Z seeking entrepreneurial opportunities, retaining talent is a significant challenge.

**Mental Health and wellbeing:** A survey by the American Psychological Association found that Millennials and Gen Z report higher levels of stress compared to older generations, highlighting the need for mental health support in the workplace.

**Skill Gaps:** As technology evolves, skill gaps can emerge between generations, necessitating ongoing training and development programmes.

**Managing intergenerational teams**

To effectively manage intergenerational teams, companies can adopt several key strategies. First and foremost, fostering an inclusive culture is essential. An inclusive workplace where every generation feels valued promotes a culture of respect and collaboration. Leaders need to recognise and appreciate the unique contributions of each generation, ensuring that all voices are heard and respected.

Tailoring communication to meet the preferences of different generations is also crucial. By using a mix of traditional and digital methods, businesses can ensure clarity and accessibility for all employees. This approach helps bridge communication gaps and ensures that everyone is on the same page.

Encouraging knowledge sharing by leveraging the strengths of each generation can significantly benefit the organisation too. Mentorship programmes, where younger employees are paired with seasoned professionals, facilitate mutual learning and knowledge transfer. This not only bridges knowledge gaps but also fosters a sense of camaraderie and teamwork.

Providing flexible work options is another effective strategy. By offering flexible hours, remote work opportunities, and personalised career development plans, businesses can cater to the diverse needs of a multigenerational workforce. This flexibility enhances job satisfaction and retention across all age groups.

Investing in continuous learning and development opportunities is crucial to keep all employees, regardless of age, up to date with the latest industry trends and technologies. This not only enhances individual performance but also boosts overall team productivity.

Developing customised leadership approaches is also important. Different generations respond to different leadership styles. For instance, Baby Boomers may appreciate a more directive approach, while Millennials and Gen Z might prefer collaborative and inclusive leadership. Tailoring leadership styles to the needs of each generation can enhance team performance and satisfaction.

Forming cross-generational teams for projects can encourage collaboration and innovation. By harnessing the strengths of each generation, these teams can foster diverse perspectives and drive creative solutions.

Regular development programmes help bridge generational gaps by keeping all employees informed about new technologies, processes, and industry developments. These programmes can be tailored to address the specific needs and learning styles of different generations, ensuring continuous growth and adaptation. What's more, creating mentorship opportunities where experienced employees guide younger ones can be mutually beneficial. Younger employees gain valuable insights and skills, while older employees stay connected with new trends and technologies.

Leveraging technology to facilitate collaboration and communication across generations is also essential. Tools like project management software, communication platforms, and collaborative workspaces can help bridge the gap and improve team cohesion.

Promoting work-life balance through programmes and policies that offer flexible working hours, remote work options, and wellness programmes can cater to the varying needs of different generations. This enhances job satisfaction and retention.

Finally, regularly gathering feedback from employees across all generations helps understand their needs and preferences. Using this feedback to adapt policies and practices ensures that the workplace remains inclusive and supportive for everyone.

**Conclusion**

Leading diverse teams, particularly those spanning multiple generations, presents unique challenges but also significant opportunities. By understanding and addressing the distinct characteristics and expectations of each generation, leaders can harness the strengths of a multigenerational workforce. Embracing diversity and fostering an inclusive culture not only drives innovation and growth but also creates a more engaging and fulfilling work environment for everyone.

In this age of rapid transformation, the ability to lead diverse teams effectively is a critical skill. By tackling the challenges and leveraging the opportunities presented by generational diversity, leaders can steer their organisations toward sustained success in an ever-evolving landscape.

*For sources see the article on our website.  
<https://greco.services/leading-diverse-teams-challenges-of-various-generations/>*

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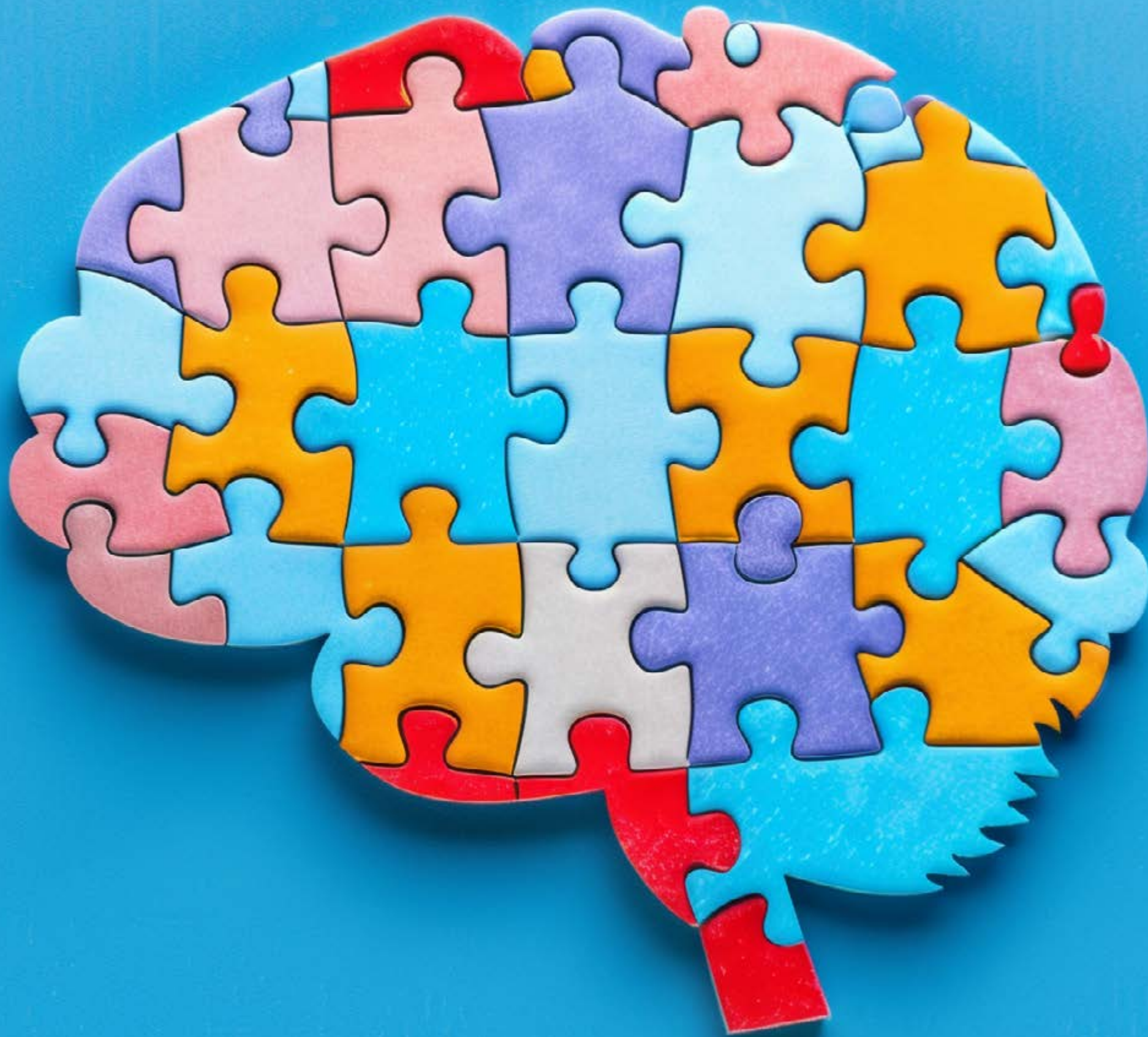
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*Elif Duru Gönen takes her global brand management experience to talent development in organisations. Through her 14-year professional career, she has held various leadership roles in marketing and corporate communications including at The Coca-Cola Company and Hewlett Packard. Mrs Gönen is a member of ICF, SHRM, ASTD, AMA and a founding member of IAF Turkey (International Facilitation Federation).*

**About DuruGonen Professional Development Company**  
*Through their offices in Turkey and Switzerland, DuruGonen provides leadership and career coaching for leaders and manager candidates, and designs corporate culture projects improving corporate performance.*

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## Bridging the Generation Gap: How Diverse Age Groups are Shaping the Modern Workplace in Bulgaria

*The modern professional landscape is undergoing a profound transformation as diverse generational groups converge within the workplace, giving rise to the “generation gap”.*

From seasoned Baby Boomers to tech-savvy Millennials and the emerging Generation Z, organisations are grappling with the unique challenges posed by the coexistence of different age groups. This amalgamation of generations has given rise to what is commonly referred to as the “generation gap” - a phenomenon marked by differing values, communication styles, and work approaches. Understanding and effectively managing this intergenerational dynamic is pivotal for fostering cohesive teamwork and ensuring the overall success and adaptability of organisations.

This article by Petya Ivanova delves into the complexities of the generation gap within Bulgarian workplaces, examining how differing values and work approaches among Baby Boomers, Gen X, Millennials, and Generation Z impact organisational dynamics. It highlights the challenges and opportunities of fostering collaboration and the need for people-centred strategies to create an inclusive work environment.

### The need for people centred strategies

The generation gap affects many aspects of professional life, from communication preferences to leadership styles, technological integration to knowledge transfer. As a result, proactive actions are needed to bridge the gap and foster a cohesive, inclusive, and forward-thinking work environment.

The 2024 Bulgarian Industrial Association study shows that the growing age stratification in our workforces presents challenges, with the four distinct generations - each with different values, work attitudes, and behaviours - now coexisting in the workplace.



Managing these generational differences and leveraging their strengths for corporate benefit is becoming increasingly challenging for companies. The study suggests that effective management of age diversity requires shifting focus from organisational needs to people centred strategies. This includes implementing programmes that foster an inclusive work environment where all employees feel valued and can maximise their potential.

» *Managing these generational differences and leveraging their strengths for corporate benefit is becoming increasingly challenging for companies.* «

The study also identifies several issues faced by enterprises in Bulgaria, including low motivation, reluctance to learn, and a lack of efficiency and creativity among workers. Additionally, communication skills and stress management are noted as significant challenges for both management and staff.

Influences on workplace attitudes and relationships

Employee turnover, particularly among younger generations, is another concern. The survey indicates that nearly one in four workers aged 27-39 have left their jobs in the past two years. Generation Y, or Millennials, are the most sought-after in the job market and are quick to change jobs if their expectations are not met. Generation X, aged 40-54, also shows a high turnover rate, primarily driven by concerns over salaries.

The study also points to deeply rooted prejudices and stereotypes related to age that continue to influence workplace attitudes and relationships. These biases are particularly pronounced among younger generations, with Generation X and Generation Z displaying more ageist attitudes than their older counterparts. Conversely, older workers, especially those in Generation T (55-65+), often exhibit self-directed ageism, harbouring incorrect beliefs and barriers related to their age group.

» *Deeply rooted prejudices and stereotypes related to age continue to influence workplace attitudes and relationships.* «

The period of transition to democracy in which Generation Z members in Bulgaria grew up was characterised by profound changes in the economic and social system of the country, with frequent episodes of chaos and instability resulting in a long-term demographic decline. At the same time, the years of their adolescence were marked by globalisation processes and the rapid development of

digital technologies opening countless opportunities for work, study and travel for this group of young people.

The impact on the organisation

The interplay of generational dynamics extends beyond the confines of individual teams, permeating the entire organisational fabric. Understanding how the generation gap influences broader organisational structures and dynamics is pivotal for leaders and decision-makers seeking sustainable success in an ever-evolving professional landscape.

- **Retention and recruitment:**  
The ability to attract and retain talent is intrinsically linked to an organisation's adaptability to the expectations of diverse generational groups. Tailoring recruitment strategies to appeal to a broad spectrum of candidates and creating an inclusive workplace environment enhances employee satisfaction and loyalty. Organisations must recognise that different generations may prioritise various factors such as career development opportunities, work-life balance, and organisational culture.
- **Innovation and adaptability:**  
Diversity, including generational diversity, is a catalyst for innovation. Organisations that actively seek input from employees across different age groups are better positioned to adapt to changing market demands and foster a culture of continuous improvement. Embracing the varied perspectives of each generation can lead to creative solutions and a heightened capacity to navigate challenges in an ever-evolving business landscape.
- **Knowledge transfer:**  
As Baby Boomers gradually retire, the preservation and transfer of institutional knowledge become critical. Mentorship programmes that facilitate the exchange of insights and experiences between generations play a pivotal role in ensuring the continuity of essential organisational knowledge. Additionally, organisations can leverage technology to create knowledge-sharing platforms that facilitate seamless information transfer across generational boundaries.
- **Organisational culture:**  
The impact of the generation gap is profoundly felt in shaping the overall organisational culture. Successfully bridging generational differences contributes to the creation of a workplace that celebrates diversity, fosters inclusivity, and encourages collaboration. A harmonious organisational culture is not only attractive to current employees but also serves as a powerful magnet for top talent seeking a workplace that aligns with their values and expectations.

Case studies: how large companies in Bulgaria are handling workforce transformation

In our work with clients, we observe companies with diverse age groups within their workforce. Each genera-

tion's requirements and expectations differ, presenting a challenge for employers striving to meet these varied viewpoints. The methods used to address these differences begin even during the recruitment process.

- **Postbank**, a major bank in Bulgaria, has adopted innovative recruitment and training methods catered to Generation Z, which is now entering the workforce. The bank launched a new recruitment channel on Instagram to attract young trainees and potential employees who frequent this social network. Through Instagram, young candidates can quickly and easily apply for internships using an "Instagram CV" comprised of just three photos or a story.  
  
Additionally, Postbank has become the first in Bulgaria to create its own TikTok channel. To engage potential employees, the site features the gamified "New Beginning" career quiz. This interactive game takes candidates on an "intergalactic journey," assessing their applications in a format that resonates with the younger generation. It provides a creative approach by showcasing the type of candidates the bank is looking for while helping users identify their own career preferences, skills, and values. Following the quiz, they are directed to suitable job vacancies via video ads based on their profiles. Even those not immediately seeking a job can gain insights into their strengths and potential career paths.
- **Address Real Estate** conducts interviews for consultants through a corporate board game called "Enter the Broker Experience." This innovative method captures potential talent's attention and makes the interview process more engaging and enjoyable. Candidates participate in a simulated board game about the brokerage profession, where they navigate between islands, sell properties, earn money, and vie for the grand prize. This hands-on experience allows candidates to "jump into the action" and understand the consulting profession before committing to it. The game provides a realistic and entertaining portrayal of the job, allowing candidates to face various challenges related to selling properties.
- **Pierre Fabre Bulgaria** has a higher-than-average age among its staff and so it focuses on providing benefits valued by more mature employees. Pension insurance, an increasingly important topic in Bulgaria, has become a key feature of the company's benefits package. Recognising the needs of its aging workforce, the company has established an employer's contract to make periodic financial contributions for the benefit of its employees each year.

These examples illustrate how large companies are creatively navigating workforce transformation, leveraging innovative recruitment strategies, and tailoring benefits to meet the diverse needs of their employees. By embracing intergenerational diversity and fostering a positive work environment, they are setting the stage for successful cross-generational collaboration and sustained organisational growth.

Embracing generational diversity

In conclusion, the evolving workforce landscape in Bulgaria presents both challenges and opportunities for organisations. The generational diversity within the workplace, from Baby Boomers to Generation Z, brings a variety of values, communication styles, and work approaches. This diversity, while enriching, requires proactive management to bridge the generation gap and foster a cohesive, inclusive, and forward-thinking work environment.

» *Embracing the varied perspectives of each generation can lead to creative solutions and a heightened capacity to navigate challenges in an ever-evolving business landscape.* «

Proactive strategies that recognise and harness the strengths of each generation contribute to a resilient, adaptable, and forward-thinking organisational structure. Each generation brings its own different point of view on the world, culture, understandings, and beliefs. The fact that different generations have lived in different eras has contributed to the differences in viewpoint and attitude toward the workplace and work in general. The generation gap is an opportunity for a company to embrace intergenerational diversity while also fostering a positive work climate that facilitates successful cross-generational collaboration.

Organisations must shift their focus from purely organisational needs to people-centred strategies. By implementing programmes that value and maximise the potential of all employees, companies can create a workplace that not only attracts and retains top talent but also drives innovation and adaptability.

For sources see the article on our website.  
<https://greco.services/bridging-the-generation-gap-how-diverse-age-groups-are-shaping-the-modern-workplace-in-bulgaria/>

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# No House, No Buck – How the Property Crisis is Crushing the Motivation of Young Employees at Work

*Austria, the land of mountains, lakes and...  
unaffordable property prices. For young people who  
harbour the dream of owning their own home, this dream  
has now become a nightmare.*

My parents and grandparents were able to afford their own home or at least work towards it by the time they were my age. They lived in a time when, despite crises, hard work, discipline, and thrift actually led to home ownership - a tangible goal that promised social advancement and stability. Yet today, in a generation that is also growing-up in the midst of crises - rising prices, climate change and global uncertainty to name but a few - this goal is becoming an unattainable dream for many. In a country that prides itself on its social stability and prosperity, buying your own home should not be an unattainable luxury. But that is exactly what it has become.

## A generation on the brink of resignation

Since 2004, property prices in Austria have exploded. The prices of residential property have risen by well over 100% to date, while the average net income has increased by just 60% over the same period. These are not figures that could possibly reassure young people starting out in their careers. While the prices of rented flats are also skyrocketing, the hope of owning property often remains a distant dream. The hurdles that have to be overcome to buy one's own flat are a farce: high ancillary costs, strict lending guidelines, and a market that is increasingly dominated by investors, leave young people wondering: what's the point?

## Motivation at rock bottom

The consequences of this situation are far-reaching. In a world where work was long associated with the promise of social advancement and financial prosperity, this promise is now beginning to crumble. Young workers who realise that

even overtime and pay rises cannot fulfil the desire for home ownership are losing motivation. Why should you work your fingers to the bone if the goal remains unattainable? The result: burnout rates are rising; mental health is suffering; and general motivation to work is falling. Why sacrifice yourself in a job if the result is at best a few extra restaurant visits or a weekend trip – but certainly not a home of your own?

## What does this mean for companies?

For businesses, this development is anything but trivial. Those who rely on committed and motivated employees to survive in a highly competitive market will soon be confronted with a new reality: a generation of employees who simply no longer feel like working. In real terms this means higher turnover rates and additional recruitment and training costs. Unless companies change their work culture to meet new employee priorities such as flexibility, work-life balance and meaningful work whilst still providing attractive salaries (people still have to pay for the higher cost of living after all!), employers could find it difficult to attract and retain qualified employees.

Loss of commitment and innovative strength could also be a side effect. If employees feel that their hard work is not leading to their desired goals, this can have a direct impact on their motivation. They will put less energy and creativity into developing new ideas and innovative solutions. This in turn could lead to declining productivity and efficiency. A generation of employees who 'don't feel like it anymore' will inevitably have a negative impact on a company's productivity and efficiency because of a reduction in quality, delays, poorer overall results and increased absenteeism.



### A ticking time bomb

But the crisis has a deeper, perhaps more dangerous dimension. The growing social inequality, exacerbated by the inaccessible property market, could, in the long term, lead to the destabilisation of society as a whole. If the belief in social advancement is lost, if the younger generation loses faith in the future, then not only is motivation at work at risk, but also the very foundations of our entire economic and social system.

The question is not just how we can help young people realise their dream of owning their own home, but how we can prevent an entire generation from giving up. The solution? Bold reforms and a change of thinking in politics and in companies. Because a generation that sees no future is a generation that will no longer sacrifice itself for the here and now.

### What companies should do to rectify the situation

It is crucial for young employees to feel the support of their employers. The world has changed, and companies' strategies must change with it. There are six clear steps I believe companies should be taking:

#### 1. Create flexible working models

If the cost of living in urban areas is too high, why not consider flexible working models? Home office solutions can enable employees to live in cheaper regions and minimise commuting times. These models not only accommodate employees, but also help to increase job satisfaction and productivity.

#### 2. Promote mental health

The rising cost of living and the lack of prospects for buying property are putting a strain on the mental health of the younger generation. Companies should therefore focus more on preventive measures that promote mental health. Workshops, counselling sessions or stress management measures could help to avoid burnout and keep motivation high.

#### 3. Support with financial planning and property advice

A factor that is often underestimated is a lack of knowledge about the property market and financial planning. Companies could help by working with experts to provide employees with the necessary knowledge to better manage their financial situation.

#### 4. Enable company mobility programmes

If you can no longer live in the city, you must commute – and that can also be expensive. Company mobility programmes, such as subsidies for public transport, company cars or car-sharing offers, could help employees to reduce commuting costs and thus indirectly improve their financial situation.

#### 5. Salary models with a property component

Companies could develop salary models that address the property crisis. For example, special savings programmes or even company shares could be introduced as part of the pension plan. Such programmes could give employees the feeling that their efforts will lead to greater security and a home of their own in the long term.

#### 6. Housing support for employees

Large companies have the option of entering partnerships with property developers or creating employee housing themselves. Subsidised rental apartments or low-interest loans could be a strong incentive that not only makes living easier but also strengthens employee loyalty. In urban areas in particular, such as Vienna, this could be a decisive advantage in the competition for skilled workers.

### New paths instead of broken promises of prosperity

My generation has already been plagued by a multitude of pressing crises at a young age – from climate change to geopolitical uncertainties and inflationary price increases. These challenges, coupled with the feeling that the situation is unlikely to improve, lead to a stressful reality. At least as frustrating is the realisation that we no longer see ourselves as being able to significantly improve our personal lives. The promise of prosperity, which for a long time was associated with hard work and diligence, seems to have become fragile. The old story of the upwardly mobile worker who earns prosperity through hard work and commitment no longer works. It ignores the reality in which we are growing up – a reality in which social advancement seems to be almost impossible for many.

It is a tiresome trend when articles repeatedly claim that Generation Z is lazy and no longer wants to work. I find such sweeping judgements not only inaccurate, but also dangerously short-sighted. How can we expect a generation that is suffering under the weight of countless crises to be as committed and motivated as our parents and grandparents, who despite facing crises themselves had much better prospects at the end of them? It is naive to believe that ignoring these difficult conditions offers any solution.

The real challenge is to understand the environment in which we are growing up. Only when politicians and economists recognise and take seriously the impact of all these negative influences on our generation can we take targeted and effective action. It is time to think about solutions instead of just shooting at the young generation. How can they really support us? How can they help us regain our satisfaction and motivation? We need concrete, courageous reforms and measures that open-up new perspectives and give us hope.

It is possible to set the course for positive change. The key is to have the courage to question existing structures and pursue innovative approaches. Only in this way can we prevent an entire generation from giving-up and resigning itself to defeat. The way out of the crisis is through a shift in thinking, and an honest effort to address the needs and challenges of young people. It is time that we work together to create a future that offers hope instead of resignation.

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## Evolution of Leadership: Meeting the Needs of Generation Alpha

*A well-known saying goes: If you want to look into the future, look at the children. Growing up in a digital world and having faced unique challenges, Generation Alpha will influence leadership styles and corporate practices in transformative ways.*





Generation Alpha is the first generation to be born entirely in the digital age. Unlike their predecessors, they have been surrounded by technology from birth, profoundly shaping their communication, learning preferences, and expectations. When they enter the workforce, it's crucial for companies to recognise that these individuals are not just digital natives but digital innovators. Their familiarity with technology will influence not only their work but also their perception of authority and leadership. They value transparency, inclusivity, and a sense of purpose, meaning traditional hierarchies may need to give way to more collaborative models. Companies must cultivate environments that promote these values, encouraging idea-sharing and collaborative decision-making.

Furthermore, being accustomed to constant entertainment, leaders must adapt their engagement strategies. With digital devices available 24/7, Generation Alpha may find it challenging to concentrate for long periods. Therefore, larger tasks will need to be broken down into smaller steps to foster a sense of achievement and prevent demotivation.

### The first true digital natives

From birth to work, Generation Alpha has been immersed in technology since day one. Their early interactions with smart devices, educational apps, and online communities have equipped them with skills that previous generations could only dream of at similar ages. This digital fluency presents both opportunities and challenges for organisations. On the one hand, Generation Alpha will bring a wealth of knowledge about the latest technologies, which can drive innovation within companies. On the other hand, leaders must be prepared to manage a workforce that expects constant access to information and flexible working conditions. Raised on instant gratification, Generation Alpha demands swift responses and adaptable environments. As such, leadership will need to provide continuous learning that enhances both technical skills and emotional intelligence. This demand for flexibility is rooted in their upbringing, where instant gratification and rapid responses have become the norm.

### Impact of global challenges on Generation Alpha

Pandemics and geopolitical conflicts have profoundly influenced Generation Alpha's values and expectations. The COVID-19 pandemic highlighted the need for adaptability and mental health support, making these qualities essential in their forthcoming professional lives. Additionally, exposure to social injustices has fostered a strong sense of social responsibility, which will lead to Generation Alpha prioritising employers committed to ethical practices, sustainability, and community engagement. To meet these expectations, leaders must adopt a more socially conscious approach and create supportive measures that prioritise mental health, ensuring a culture where employees feel valued and understood.

### Leadership challenges for human resource management

The emergence of Generation Alpha will present significant challenges for human resource management, particularly regarding leadership development. Traditional models may not effectively foster engagement and productivity in this new generation, necessitating a redefined approach to attract, retain, and develop talent.

HR leaders must highlight their organisation's commitment to innovation, diversity, and social responsibility in recruitment processes. Additionally, open house days, trade fairs, and practical experiences will be more impactful for first impressions than a TikTok video or an Instagram post.

Moreover, mentorship programmes that connect younger employees with experienced leaders will be crucial for building community and providing guidance. Implementing flexible work arrangements, such as hybrid models and flexible hours, tailored to Generation Alpha's preferences, will enhance job satisfaction and retention. Continuous professional development opportunities are also essential for this tech-savvy generation.

Furthermore, Generation Alpha often likes to make decisions together with their parents. Employers will

potentially need to involve parents in the early stages of the hiring process, conceivably including initial interviews and open house days, to meet this desire. By acknowledging and accommodating this familial involvement, organisations will build a stronger rapport with potential young employees and their families.

### Strategies for engaging Generation Alpha in the workforce

- **Embrace technology:**  
Invest in modern tools and platforms for collaboration and innovation, such as AI, data analytics, and digital communication tools. Ensure that the technology is user-friendly and continuously updated to stay ahead of trends.
- **Promote inclusivity and diversity:**  
Foster a genuine commitment to diversity and inclusivity, ensuring all voices are respected. Create employee resource groups and provide training on unconscious bias to cultivate a welcoming environment.
- **Prioritise purpose and values:**  
Align your mission with social and environmental responsibilities and clearly communicate these values. Highlight how employees' work contributes to larger company goals and societal impact.
- **Support growth:**  
Offer comprehensive training programmes, mentorship, and career advancement opportunities. Provide clear pathways for progression and regular feedback to help employees reach their full potential.
- **Foster a healthy work culture:**  
Prioritise mental health and work-life balance through supportive policies and resources. Encourage open conversations about mental wellbeing and offer access to counselling and wellness programmes.

### Adapting to the future workforce

Before Generation Alpha begins to enter the workforce, organisations must adapt their leadership styles and

strategies to meet the needs of this new generation. By embracing technology, promoting inclusivity, and prioritising purpose, companies can create work environments that resonate with Generation Alpha. The evolution of leadership is not just about managing a workforce; it is about cultivating a culture that empowers individuals to thrive in an ever-changing world.

Organisations that succeed in connecting with and understanding Generation Alpha will not only remain competitive and innovative but will also set a benchmark for future workplace standards. This new workforce is poised to bring transformative change, and those who harness their potential will be at the forefront of progress. The future of work is here, and it is essential for businesses to be proactive, adaptable, and forward-thinking in their approach.

As we look to the future, the ability to connect with and understand Generation Alpha will be crucial for organisations seeking to remain competitive and innovative. In embracing this new paradigm, companies will not only enhance their operational effectiveness but also foster a more dynamic, inclusive, and purpose-driven workplace. The journey toward adapting to Generation Alpha's expectations and values is not just a necessity but an opportunity for profound organisational growth and success.

*For sources see the article on our website.  
<https://greco.services/evolution-of-leadership-meeting-the-needs-of-generation-alpha/>*

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# How the Young Generation Views Social Transformation

*The young generation today is witnessing an unprecedented period of change, socially, technologically, and environmentally. They are the digital natives, the climate change warriors, and the voices calling for inclusivity and equality.*

Their perspective on social transformation is unique: they are not just passive observers but active participants and catalysts for change. They see the world through a lens of interconnectedness and global citizenship, where actions taken in one part of the world can have ripple effects globally. This generation is not afraid to challenge the status quo and push for a future that aligns with their values of sustainability, diversity, and innovation. In this series of three articles written by Gen Z'ers, we explore the

perspectives, challenges, and opportunities the young generation must face both in their private and professional lives. Our young generation colleagues share their views on AI, ethical supply chains, and risk management:

- How is Gen Z Shaping the Future of AI?
- The Psychology of Risk: The Young Generation's Approach to Risk Management
- Sustainability Beyond Buzzwords: How Gen Z is Driving Ethical Supply Chains



# How is Gen Z Shaping the Future of AI?

In an era where technology has become an integral part of daily life, Generation Z stands at the forefront, transforming the landscape of artificial intelligence. Born into a world brimming with digital advancements, Gen Z's inherent affinity for technology is not just shaping their personal and professional lives but is also steering the future of AI in profound ways.

## Educational transformation

Gen Z, born between 1996 and 2012, has grown up with unparalleled access to the internet, smartphones, and social media. This constant connectivity has ingrained technology into their daily routines, making them exceptionally proficient with digital tools. Unlike previous generations who witnessed the evolution of technology, Gen Z has known nothing but a tech-saturated world. This unique upbringing has equipped them with an intuitive understanding of digital platforms, enabling them to harness AI's potential effectively.

Gen Z's immersion in technology extends into their educational pursuits, reshaping traditional learning paradigms. The integration of online platforms like Coursera and Udemy, offering courses in data science and UX design, caters to Gen Z's demand for flexible, tech-driven education. Moreover, interactive tools such as whiteboards and gamified apps have become staples in modern classrooms, enhancing learning experiences and fostering digital literacy from an early age.

## The impact of Gen Z's growing presence in the workplace

As Gen Z transitions into the workforce, their technological adeptness becomes an invaluable asset. They are projected to constitute 27% of the workforce by 2025, bringing with them a deep-seated familiarity with AI and digital tools. Their comfort with technology not only improves efficiency but also drives innovative approaches to problem-solving.

Organisations stand to benefit immensely by incorporating Gen Z into their AI strategies. Their education often includes components of computer science, coding, and data analytics, preparing them to engage with AI on a professional level. Their diverse perspectives foster creativity and inclusiveness, essential for developing AI solutions that cater to a wide array of needs. Furthermore, Gen Z's collaborative spirit aligns seamlessly with the interdisciplinary nature of AI projects.

## How Gen Z and AI are transforming insurance

The future of claims and underwriting in the insurance industry is set to be revolutionised by AI and digital technologies, driven significantly by the tech-savvy Gen Z workforce. The insurance working model is set to switch from detect and repair to predict and prevent. This generation's comfort and expertise with AI and digital tools will enhance productivity and efficiency in insurance processes.

AI will streamline claims processing by automating routine tasks, reducing errors, and accelerating decision-making. It will also improve underwriting accuracy through advanced data analytics, providing more personalised and precise risk assessments. The shift will likely see younger professionals leveraging AI to perform tasks faster and with higher quality, ultimately transforming the insurance landscape into a more efficient and innovative sector.

Some examples relating to the above-described improvements in the insurance industry can be observed by insurers such as Turkish Anadolu Sigorta and AXA. The former managed to improve its ROI by 210% in one year only by adapting to an AI-based predictive model for identifying claim-related fraud. It resulted in total cost savings of \$5.7 million.

On the other hand, AXA successfully predicted large MTPL losses for their policyholders with a 78% success rate, using a Machine Learning model developed by their Japanese R&D team. Naturally, massive implications for the profitability of the company were experienced.

## Actively shaping an AI-driven world

Gen Z is not merely adapting to the AI-driven world; they are actively shaping it. Their intrinsic understanding of technology, combined with their innovative mindset, is propelling AI into new territories. As they continue to enter the workforce and influence various sectors, their impact on AI will only grow stronger.

By embracing Gen Z's unique qualities and perspectives, organisations can unlock unprecedented potential in AI, ensuring they stay ahead in the rapidly evolving technological landscape. Observing and learning from Gen Z's interaction with AI offers valuable insights into the future, highlighting the exciting possibilities that lie ahead.

# The Psychology of Risk: The Young Generation's Approach to Risk Management

Generation Z is entering adulthood during a time of unprecedented change and uncertainty. From navigating a global pandemic to confronting climate change and dealing with economic instability, this generation has faced and continues to face a complex risk landscape. Understanding the psychology of risk and their approach to risk management offers valuable insights into their resilience and adaptability.

## Perception of risk and uncertainty

Generation Z's perception of risk is heavily influenced by their formative experiences. Growing up in a digital age where information is readily accessible, they are acutely aware of global issues and potential threats. This heightened awareness has been linked to increased anxiety and greater risk aversion.

A study by the American Psychological Association found that the youngest generation starting to enter our workforce reports higher stress levels related to global and societal issues than any other generation. Their constant exposure to information about risks makes them more vigilant and cautious in their decision-making processes.

This generation's heightened perception of risk and uncertainty is driving companies to prioritise transparency and stability. To address these concerns and attract this cautious yet proactive generation, companies need to focus on clear communication to build trust.

## Digital fluency and information seeking

One of the key characteristics of the younger generations is their digital fluency. They are proficient in using digital tools to seek information, assess risks, and make informed decisions. When faced with uncertainty, they turn to online resources, social media, etc. to gather information and weigh their options. This reliance on digital tools allows them to stay informed and adapt quickly to changing circum-

stances. However, it also means they must navigate a vast amount of information and discern credible sources from unreliable ones. Given Gen Z's preference for technology and digital platforms, organisations face high digital security risks. This generation's comfort with sharing information online increases the risk of data breaches and cybersecurity threats. Companies must therefore strengthen their digital security measures and educate young employees on the importance of data privacy and security protocols to mitigate these risks.

## Community and collective action

This generation's approach to risk management is also shaped by their strong sense of community and collective action. They are more likely to engage in activism and advocate for social and environmental causes. This collective mindset fosters a sense of solidarity and shared responsibility, enabling them to address risks collaboratively. By working together and supporting each other, they are better equipped to navigate the uncertainties of the modern world.

This focus on community and collective action compels companies to engage in social and environmental initiatives. Businesses must prioritise corporate social responsibility and sustainability to attract and retain young employees and appeal to consumers who value positive societal impact.

## Shaping society

In conclusion, the Zoomer's approach to risk management is influenced by their heightened awareness of global issues, digital fluency, and sense of community. Their cautious yet proactive mindset allows them to navigate the complexities of modern life with resilience and determination. As they continue to mature and take on leadership roles, their unique perspective on risk management will shape a more informed and prepared society.



# Sustainability Beyond Buzzwords: How Gen Z is Driving Ethical Supply Chains

Sustainability has transformed from a trendy buzzword to a crucial business priority, driven significantly by Generation Z. This group is championing ethical supply chains, demanding transparency, accountability, fair labour practices, environmental conservation, and responsible sourcing.

### The rise of Gen Z in the workforce

As Gen Z enters the workforce, they bring a strong sense of social responsibility and a deep commitment to sustainability. Unlike previous generations that often-considered corporate social responsibility (CSR) secondary, Gen Z views it as essential. This shift is prompting companies to reassess their supply chain practices to meet these new ethical standards. Many Gen Z and millennial professionals are also choosing careers that align with their values, prioritising sustainability and social responsibility over traditional corporate success. Despite facing affordability challenges, they are less inclined to sacrifice work-life balance for higher salaries. A higher corporate title and compensation are less attractive if they don't translate into a better quality of life for these young adults.

### Promoting fair labour practices

One of Gen Z's significant contributions to the workplace is their strong stance on equitable labour practices. They vocally oppose exploitative conditions and advocate for workers' rights throughout the supply chain. This advocacy is pushing companies to adopt fair standards, ensuring workers are paid adequately, work in safe conditions, and have access to necessary benefits. Brands sourcing materials from developing countries face increasing scrutiny to ensure their suppliers uphold these standards. Gen Z leverages social media to highlight labour exploitation, prompting companies to take swift corrective action.

### Environmental conservation as a priority

Zoomers are making a substantial impact on environmental conservation. They are acutely aware of environmental challenges and are determined to make a difference. This generation demands that companies minimise their environmental footprint and actively con-

tribute to conservation efforts. In response, businesses are adopting sustainable practices such as reducing carbon emissions, utilising renewable energy, and implementing waste reduction strategies. The trend towards circular supply chains, where products are designed for longevity, reused, and recycled, is also growing, minimising environmental impact.

### Ethical sourcing and transparency

Ethical sourcing is central to Gen Z's sustainability advocacy. They expect companies to source materials responsibly, ensuring procurement processes do not harm the environment or exploit communities. This includes sourcing raw materials from suppliers who adhere to environmental and social standards and ensuring transparency in the supply chain. Companies are increasingly adopting technologies like blockchain to provide transparency and traceability in their supply chains, allowing consumers and stakeholders to track products' journeys from origin to end-user, ensuring ethical practices are upheld at every stage.

### The business case for ethical supply chains

Embracing ethical supply networks is not only a moral imperative but also a strategic business decision. Companies prioritising sustainability are likely to attract and retain top talent from Gen Z, who seek to work for organisations aligning with their values. Moreover, consumers are more likely to support brands committed to ethical practices, leading to increased customer loyalty and brand reputation. The regulatory landscape is also evolving, with stricter regulations on environmental and labour standards worldwide. By proactively adopting ethical supply chain practices, companies can mitigate risks and ensure compliance with future regulations.

### Being their own bosses

Despite student loan debt limiting their financial mobility, Gen Z and Millennials are prioritising work-life balance over higher salaries. According to a recent survey by Eagle Hill Consulting, these generations report the highest levels of burnout, with 54% of Gen Zs and 52% of Millennials feeling the strain. This burnout is leading to a re-evaluation of their approach to work, emphasising a healthier balance between professional and personal lives. They seek autonomy in when, where, and how they work, finding meaning and purpose in their careers over traditional corporate success. They are also interested in reduced or flexible working hours, even if it might hinder personal finances, career advancement, and skill development opportunities. Enhanced career growth prospects for part-time roles, condensed four-day work weeks, job-sharing arrangements, and flexible hours are among their top priorities. About 75% of respondents expressed interest in reducing their overall work hours, underscoring a growing desire for a balanced lifestyle.

The rise of the gig and creator economies is drawing younger generations towards the freedom and flexibility of entrepreneurship over traditional corporate paths. A report by Justworks and a Harris Poll revealed that 71% of employed Gen Zs and Millennials are interested in becoming entrepreneurs or establishing their own businesses. This entrepreneurial focus reflects their desire for innovation, independence, and self-determination, and their eagerness to forge new paths in the future of work. This need for autonomy and innovation further underscores why Gen Z is pushing for ethical supply chains. By promoting fair labour practices, environmental conservation, and ethical sourcing, they align their work with their values, ensuring their professional endeavours contribute to a better world.

### Embracing the values and demands of Gen Z

Gen Z is driving the movement towards ethical supply chains, advocating for fair labour practices, environmental conservation, and ethical sourcing. Their influence is pushing companies to move beyond superficial sustainability efforts and make meaningful changes to their supply chain operations. As this generation gains prominence in the workforce and marketplace, the push for sustainability and social responsibility will only intensify, paving the way for a more ethical and sustainable future. By embracing the values and demands of Gen Z, companies can improve their supply chain practices and position themselves as leaders in sustainability and social responsibility, ultimately benefiting both people and the planet.

*For sources please read the article on our website:  
<https://greco.services/how-the-young-generation-views-social-transformation/>*



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# ASFINAG's Social Standards for Suppliers Spearheads Workforce Transformation

*ASFINAG oversees the planning, construction, maintenance, operation, and toll collection for Austria's motorways and dual carriage ways. This state-owned company has integrated social criteria into its public procurement tender requirements for nearly a decade. Brigitte Müllneritsch, Regional Manager Construction at ASFINAG Bau Management GmbH, talks with Laura Hochegger to discuss the rationale behind this decision and its implications for service providers in the tender process.*



**Hochegger:** Why did ASFINAG decide to incorporate social criteria into procurement?

**Müllneritsch:** You could say we've been spearheading the movement for building better workforces in our sector for nearly a decade. We began including social criteria in our procurement process in September 2015, long before the introduction of the Federal Procurement Act 2018 which made it a requirement to integrate social considerations into tender processes.

Back then, we decided we wanted to promote fair competition and give preference to bids that emphasised social responsibility. We committed to encouraging companies to invest in apprenticeships, retain the valuable experience of older workers, train skilled professionals, and foster diversity within their project teams. We believe this not only enhances the overall quality and sustainability of the workforce but also provides significant incentives for the economy to thrive.

The rise of ESG requirements has really brought awareness of the need for greater socially balanced workforces to the fore in recent years. If we look to the not-too-distant future, the Corporate Sustainability Due Diligence Directive (CSDDD) will further intensify social responsibility in procurement. While we are also somewhat ahead in this regard, additional ESG considerations and stricter due diligence to ensure supplier compliance with social responsibility standards will mean we have to continue to adapt and evolve our procurement processes.

## Championing diversity, safety, education and fairness through procurement

**Hochegger:** What specific social criteria do you typically consider in tenders for service providers?

**Müllneritsch:** We receive tenders from service providers such as construction and specialised planners, local construction supervisors, project managers, and inspection teams – all of these are traditionally male-dominated industries. Gender parity in Austria's construction industry is not common. As a result, our tendering process for service providers takes a progressive approach by including gender parity as an award criterion. This initiative has been in place for a while and carries a weight of 2% in the evaluation.

Practically, this means that bidders can propose up to a 2% higher fee if they meet the gender parity requirement. For projects requiring two to three key personnel, a mixed-gender team is necessary to earn these points. For teams larger than three, full points are awarded if the team achieves a 50% gender balance, with partial points available through a linear scale for lower percentages.

We've integrated this criterion into all tenders that need more than two key personnel. Currently, about 25% of our bidders are incorporating this gender parity element into their proposals.

We're determined to break the "construction is for men" cliché. And others are too. In recent years there's been a surge in initiatives encouraging women to enter construction and engineering. Things are slowly starting to change as employers realise that with a balanced gender distribution in their workforce, they appear more attractive and modern.

*» Gender parity in Austria's construction industry is not common. «*

**Hochegger:** Do these social criteria differ for construction tenders?

**Müllneritsch:** The criteria are different for construction tenders. At ASFINAG, we want to address the scarcity of skilled labour, capitalise on a rich pool of experience and varied viewpoints, and facilitate knowledge exchange within diverse teams. As such, we ensure that at least 15% of our award criteria in contracts over EUR 1 million are based on quality, with half focusing on ecological and social aspects. For instance, we offer points for employing older workers (30% of points for workers aged 50+) and apprentices (full points for 8% apprentice hours).

In 2023, we introduced more flexible working models as a criterion for local construction supervisors, who oversee costs, deadlines, and quality on-site for us. We now determine the number of local construction supervisors needed for each project phase based on the specific requirements of the construction site; for example, five supervisors for the on-site construction phase.

Previously, these roles required 100% on-site presence, limiting options to full-time staff only. Now, with our new tender regulations, bidders can offer a "pool" of supervisors, allowing part-time employees to participate and increase workforce flexibility. Additionally, we've implemented remote work options for tasks like invoice checking and contract processing, reducing the need for daily commutes and increasing employee convenience. These flexible working models promote inclusion and ensure career opportunities for parents, older workers, or students, for example.

Regrettably, accidents frequently happen on construction sites, and it's likely that most construction supervision personnel will encounter injured workers at least once in their careers. Nevertheless, prioritising the safety of our workers is paramount for ASFINAG. To enhance a secure working environment, we also award points for having 40% skilled workers on-site and for implementing safety concepts to enhance occupational safety.

In addition to safety, fairness and fair pay are also important criterion for us. To combat wage and social dumping, we require a construction site pass for proper social insurance registration and necessary training. That way we combat underpayment and ensure fair competition.





### Integrating social criteria into public procurement is a balancing act

*Hochegger: What challenges are there when integrating social criteria into the procurement process and how are you overcoming them?*

**Müllneritsch:** As with any transformation there are challenges but none of them are insurmountable. Perhaps the most complex is ensuring compliance with legal frameworks like BVergG 2018. Any social criteria must be designed to align with national and EU regulations to avoid any potential legal disputes. We ensure we keep abreast of any changes in regulation and come up with dynamic ways to enforce the requirements in our procurement processes.

*» As with any transformation there are challenges but none of them are insurmountable. «*

Objectivity can prove challenging too. How do you objectively measure and evaluate gender diversity or apprentice employment? As I mentioned earlier, we have answered that question by developing clear, quantifiable metrics and consistent evaluation methods through our points system. We find with this method it is easy for our suppliers to understand and present the information we need in a quantifiable way that's easy for us to evaluate.

Money is always a concern in our industry and social criteria can easily increase project expenditure. At ASFINAG we realise that we as a procurer, and our suppliers, must work out effective ways to balance costs versus benefits. As such we weigh the potential improvements in workforce quality and sustainability with great care, balancing these factors against the long-term benefits of social responsibility.

Extra expenses may also arise due to the necessity of ensuring that service providers adhere to the agreed-upon social criteria throughout the project. Managing this effectively is really a challenge for us because it requires significant resources for robust monitoring and enforcement. We have overcome this challenge by introducing the construction site pass I mentioned earlier and by carrying out random on-site checks.

*» Shifting an industry's mindset towards social responsibility is a gradual process but it is possible. «*

Lastly, shifting an industry's mindset towards social responsibility is a gradual process but it is possible. Not all suppliers are immediately prepared or equipped to meet the necessary changes to comply with the social criteria in our procurement processes. For smaller companies, integrating social responsibility into their bids can strain

resources that may not be readily accessible, which can reduce competition in the tendering process.

However, despite these challenges we have seen great social transformation in the industry compared to 10 years ago. Austria has been increasingly aligning its procurement practices with EU directives that emphasise sustainability and social responsibility and it is having a positive effect. Since 2015 we've seen a marked increase in bids including some element of social criteria. Looking at our most recent statistics, between 2015 and 2023 68% of the bids we received included apprentice employment, 79% older workers and 97% construction site ID cards.

We are committed to building our workforces of tomorrow and it's exciting to watch the industry transform as equity and equality become more prevalent in the workplace.

**Brigitte Müllneritsch**  
Regional Manager Construction  
ASFINAG Bau Management GmbH



**About Brigitte Müllneritsch**  
Brigitte studied Cultural Engineering and Water Management at the University of Natural Resources and Life Sciences, Vienna between 1997 and 2003. She has worked with ASFINAG since 2005 where she has been responsible for projects in the Vienna area, been Head of the Cluster Vienna Collection A23 and, since 2018, she has been the Regional Manager for the Vienna, A4 and A6 areas. In 2012 she qualified as a Master Builder.

**About ASFINAG**  
ASFINAG is a federal company founded in 1982. They plan, finance, build, maintain, operate and pave almost 2,265 kilometres of dual carriage ways and motorways.

The "ASFINAG system" is considered a best-practice example throughout Europe. This is because ASFINAG finances all its expenditure - from new roads to functioning winter road services and clean motorway service areas - solely from its own resources. They invest the toll revenue directly back into the infrastructure to improve safety even further. Simply put, this means that no money from the state budget is being used.

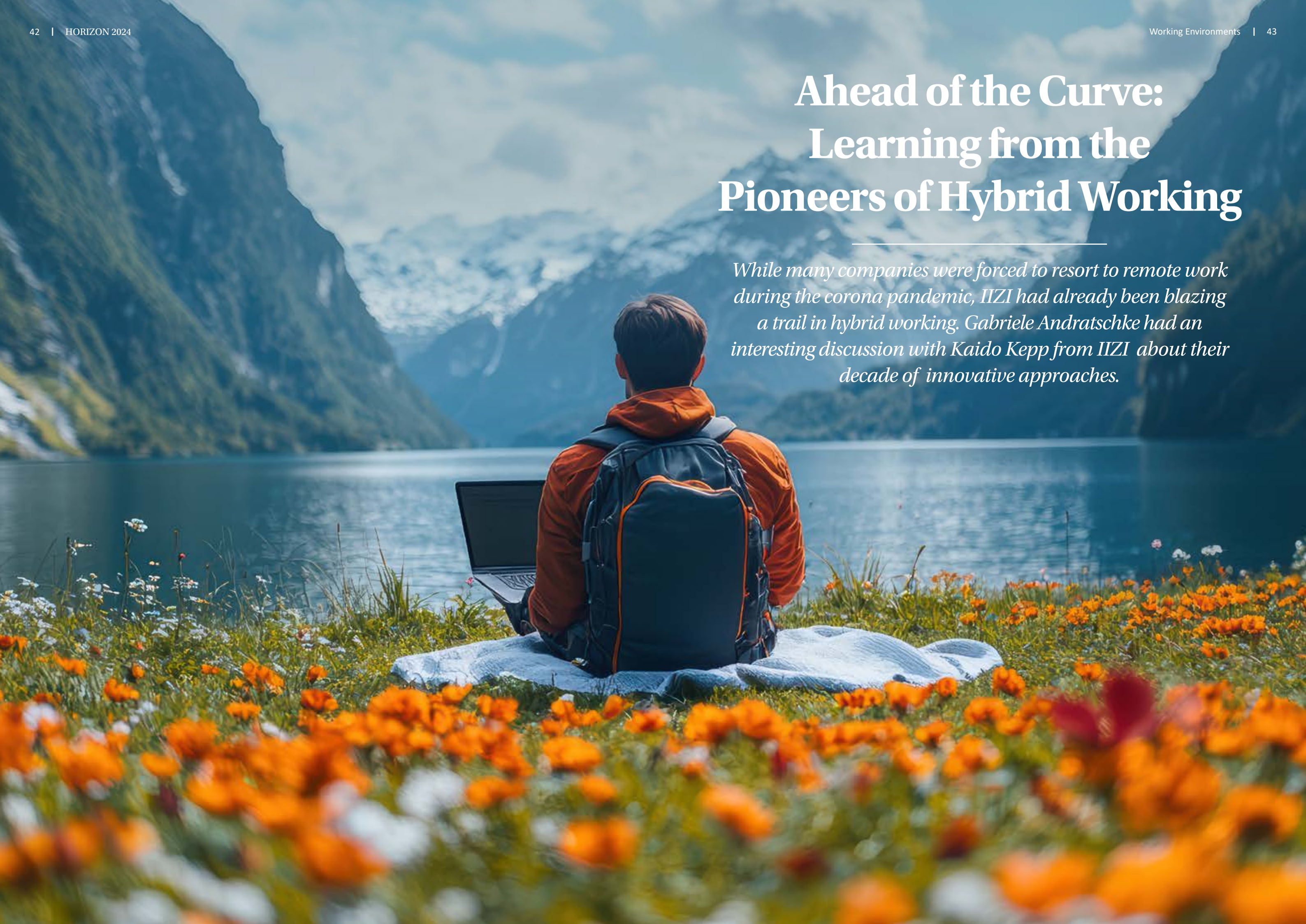
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# Ahead of the Curve: Learning from the Pioneers of Hybrid Working

*While many companies were forced to resort to remote work during the corona pandemic, IIZI had already been blazing a trail in hybrid working. Gabriele Andratschke had an interesting discussion with Kaido Kepp from IIZI about their decade of innovative approaches.*





*Andratschke: What made you decide to introduce hybrid working in 2015, way before it became the norm for many other organisations?*

**Kepp:** As an innovative company, we wanted to offer our teams the opportunity to work from any location, whether it be the office, home, or a cosy beach house under the palm trees. This decision was made long ago as part of our branding and being an attractive employer for future talents. Many companies had already started to offer the opportunity to work remotely, and we wanted to be in the premier league of flexible workplaces.

» 97.5% of our people agreed or strongly agreed with the statement ‘I feel I want to give my best effort to achieve good results.’ «

The unseen challenges of remote work

*Andratschke: Whilst others were scrabbling to set up hybrid working during the pandemic, what challenges did IIZI face?*

**Kepp:** When the pandemic hit, we felt very lucky to already have hybrid working well established within the organisation. However, that’s not to say we didn’t face challenges. The Coronavirus period brought with it unforeseen hurdles for us too: How could we ensure the smooth integration of new people into the IIZI team? How could we ensure effective cooperation when everyone was away? How could we stimulate innovation and generate ideas in the context of remote work? And what new role could managers play?

We found various practical ways to address these issues that work for our team of over 100 people. The key is to maintain a balance between flexibility and team integrity.

Communication and transparency are key

*Andratschke: How do you ensure continuous communication with your teams when they are working remotely?*

**Kepp:** Regular team meetings and lunches have become increasingly important at IIZI over the years. The company-wide monthly briefing serves as another communication pillar. Consistent communication promotes a sense of belonging and supports teamwork, which in turn enables us to achieve common goals more effectively. No one should be excluded from the goings-on in the company. We create a digital recording of our meetings to make sure the information is available to all employees, and practice shows that people really do catch up with recorded meetings.

We apply different rules to the game for a communication process that supports hybrid work. For example, we use a public calendar and email platform where we ask employees to note down work-related information about

themselves, helping colleagues keep better track of each other’s activities. We can see whether a colleague is physically in the office, working elsewhere, or temporarily absent for any reason. This ensures transparency within the team and facilitates communication.

*Andratschke: How do you keep abreast of company culture if your team aren’t physically in the office?*

**Kepp:** We regularly carry out surveys to understand how people feel about their work and the working environment. We don’t ask for the facts because feelings manifest in cooperation within and between teams, and then in business results. It is pleasing to note that the results are good regardless of where people work. Our survey last year showed that 97.5% of our people agreed or strongly agreed with the statement ‘I feel I want to give my best effort to achieve good results’; 92.4% agreed or strongly agreed with ‘IIZI takes care of my wellbeing’; and 93.7% firmly believe they can rely on their colleagues.

» 92.4% agreed or strongly agreed with ‘IIZI takes care of my wellbeing’ and 93.7% firmly believe they can rely on their colleagues. «

*Andratschke: How have you overcome the challenge of ensuring new colleagues feel happy and supported from the start?*

**Kepp:** The onboarding of new colleagues and the process of becoming a fully-fledged team member is definitely a challenge in the context of hybrid working. New colleagues should feel comfortable from the start, and it is important to support them wherever they are to build towards the company’s objectives. IIZI’s virtual training environment plays a major role in this with a video introducing the company, including a history lesson, and a range of training courses on the ABC of insurance, including more specific topics. We also use a mentoring programme, where each new employee is assigned a mentor who guides them along the IIZI path and points them in the right direction.

In fact, when asking newcomers to IIZI this year for their feedback, they highlighted mentorship and the importance of team events as a way to ease onboarding. When comparing the way work was organised years ago with now, IIZI’s long-serving employees mainly mention freedom as a positive aspect, but they also appreciate direct communication with colleagues in the office.

» Freedom, trust, and flexibility, underpinned by a strong team spirit, are the cornerstones of effective hybrid working. «

Fostering effective team building in a hybrid set-up

*Andratschke: What strategies and best practices would you recommend for fostering effective team building and maintaining a strong team culture when employees are split between remote and in-office work?*

**Kepp:** Freedom, trust, and flexibility, underpinned by a strong team spirit, are the cornerstones of effective hybrid working. In order to maintain and grow this spirit, we organise a variety of monthly activities involving all units as a whole or in teams of four. We much prefer to hear from colleagues with personal experience, and if someone from our team can be the lead and presenter of the challenge, it will be of much greater value.

Last year, we tried our hand on the ice, playing hockey and curling, as well as in the shooting range under the guidance of IIZI’s lawyer, Kaido Tropp. This event series was resoundingly voted the Event of the Year in IIZI’s annual recognition ceremony and hailed as a breath of fresh air and a way to build a real sense of camaraderie. We can safely say that sporting challenges have attracted even those who would otherwise prefer to work from home into the office to join their team.

» Employees’ mental health can be the invisible side of hybrid working. Trust and convenience can have the opposite effect. «

There are other more traditional team events, but the most eagerly awaited annual gathering is IIZI’s New Year’s Eve party, which has always had a high turnout. The party serves as a way to sum up the previous year and recognise and award colleagues. Colleagues share feedback and praise among themselves, and the results are based on the votes and comments given.

To spread the positive message more widely, we highlight the nominees, award the winners, and pay tribute to all those who have been recognised by their peers.

Physical offices maintain their advantages

*Andratschke: What about employee mental health? Is that a challenge for you?*

**Kepp:** The downside of remote work is definitely the distance from the real working environment as you do not get to participate in spontaneous conversations, generate ideas, get feedback, or experience immediate emotions.

Employees’ mental health can be the invisible side of hybrid working. Trust and convenience can have the opposite effect – people feel isolated, misinterpret emails by imagining information that is not there, and lose their connection to the team.

We are all learning. In practice, hybrid working also means a new approach for managers. For this reason, in 2023, we ran a training course on managing remote teams. In the context of remote work, it is important to avoid management problems and provide trust, a clear structure, communication, motivation, and feedback.

*Andratschke: And finally, what one piece of advice would you give to other organisations starting to hone their hybrid working model?*

**Kepp:** Based on my experience, the most important thing is ensuring all employees feel part of the same team and that information and ideas are exchanged effectively. A management framework is needed for this, not just the technical capability to let people work remotely.

**Kaido Kepp**  
Management Board Member and CFO  
IIZI Kindlustusmaakler AS



**About Kaido Kepp**  
Currently a Management Board Member and CFO at IIZI Kindlustusmaakler AS, Kaido Kepp has extensive experience from previous roles at IIZI, Tallinn University of Technology, RSA, and ERGO Insurance. Kaido holds a BA and MA in Economics (Finance) from the University of Tartu (1992-1999). His extensive skill set encompasses both life and non-life insurance as well as pensions.

**About IIZI**  
Established in 2000, and part of the GrECo Group since 2018, IIZI Kindlustusmaakler AS is Estonia’s largest insurance broker and prides itself on having a global view and the best know-how in the country. They provide high quality insurance mediation services in an online self-service environment ([www.iizi.ee](http://www.iizi.ee)) as well as through personal solutions in corporate brokerage. Annually, they service over 150,000 private and nearly 25,000 corporate customers.

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# How to Prevent Psychological Violence Through Successful Reputational Risk Management

*Katerina Pavlidi met with Jurgita Karvele, Attorney-at-law at Sorainen, a leading Baltic law firm, to discuss how effective reputational risk management is the key to preventing psychological violence in the workplace.*

## Defining psychological violence in the workplace

**Pavlidi:** What is considered as violence or mobbing at work? How can one distinguish violence from legally acceptable behaviour? For example, could negative feedback to a colleague be considered as psychological violence?

**Karvele:** Under the Lithuanian Labour Code violence has a very broad definition. In short, this is an unacceptable action or inaction that has the effect (or purpose) of making a physical, mental, sexual, or economic impact related to work on another person or persons, as a result of which an employee suffers or may suffer non-material or material damage. The key question in qualifying certain situations is “how”, not “what”. For example, it’s not the content of a certain communication that’s important, but the way this communication has been expressed.

Imagine two possible scenarios. In the first, a manager speaks with an angry raised voice to an employee who failed at a task, stating he is very disappointed, the employee has made too many mistakes, and now the company may lose a good client. This is done in front of other colleagues.

In the second scenario, the manager invites the employee to have a one-to-one meeting, calmly lists the specific mistakes made by the employee, asks what happened, and encourages them to ask for help from colleagues next time if they are facing any difficulties.

As you can see, in both situations the manager gives negative feedback to the employee. However, in the first case this feedback is provided in a humiliating and aggressive manner, which could be considered as psychological violence. And in the second case, the feedback is given politely and correctly and although it may be not pleasant for the employee, such feedback should not be considered as improper behaviour or psychological violence.

## Changes in attitude to psychological violence at work

**Pavlidi:** Recently the media has been full of stories about mobbing or psychological violence at work with people recounting how they often feel harassed or humiliated. Is it true that the cases of violence in the workplace are increasing?

**Karvele:** This topic has been very relevant recently. As a litigation lawyer in employment law, I have represented clients in disputes related to violence at work more times in the last two years than during my whole 20-year career. According to a recent State Labour Inspectorate report the Inspectorate received approximately 300 claims regarding psychological violence at work in the last year – a 154% increase on the number of claims in 2021 (118 claims). This implies the volume of violence at work is increasing. However, the statistics provide a skewed impression – it’s not that violence has increased necessarily, it’s just our attitudes towards it have changed considerably, and we are less tolerant of it. Work culture is rapidly changing and

things that didn’t seem to matter several years ago such as impolite conversations or insulting jokes, have become much more unacceptable today.

» *It’s not that violence has increased; our attitudes towards it have changed.* «

**Pavlidi:** Can you provide some examples of why things have changed?

**Karvele:** Our change in attitude has come about because there were amends to legal regulations which established additional obligations for employers with regards to violence in the workplace. As such, employees have become better educated and less tolerant with regards to any form of aggression at work. For example, 10 years ago it was quite normal for a manager to raise his or her voice if an employee failed to perform tasks. However, today such a situation could result in the manager’s dismissal.

Furthermore, several years ago employees were afraid to raise issues related to psychological violence because they did not receive proper support from either the management or from the courts. Today the situation is totally different – most employers place significant importance on maintaining a positive psychological environment at work. We see many cases of companies choosing to dismiss employees due to their unacceptable behaviour towards their colleagues even though they are highly skilled and the perfect candidate for the position.

## Tactics for employers

**Pavlidi:** How can an employer ensure that all employees behave correctly? It’s not possible to control everyone’s behaviour.

**Karvele:** The answer with regards to an employer’s ability to control its employee’s is yes and no. From a legal perspective the employer has two main ways to help control situations. Firstly, they should employ preventive measures. There are several methods from implementing a code of ethics or a violence prevention policy, to setting-up channels to submit claims, and performing regular training for all employees. Secondly, the employer should adopt a zero-tolerance approach to any form of violence, unethical communication, or discrimination. It is very important not to underestimate any situation or claim, and to investigate them, speaking carefully to anyone who declares to have been harassed or mobbed. This helps to build trust amidst the workforce, and when a safe and friendly environment is created the benefits of it are unlimited: perfect employer reputation, increased productivity - happy employees work better, and a reduction in disputes and legal claims against the company for suffering psychological violence, are just a few of them.

## Protecting your reputation

**Pavlidi:** What impact might an incident of violence in the workplace have on a company’s reputation?

**Karvele:** There is a direct link between the working environment and a company’s public reputation. And the price of losing a good reputation can be very high. We live in the age of social media and anything negative can spread like wildfire.

Violations of legal obligations most often have a concrete monetary price as well. Unresolved situations can lead to high litigations expenses, payments to the employees for moral damages, and even losing profitable contracts if commercial partners apply high ethical standards to their counterparts.

**Pavlidi:** And what about reputation in terms of attracting and retaining the best talent?

Generations X, Y, and Z have entered the employment market and they are renowned for stringently upholding their values. We often see situations where the main factor of choosing an employer is not the salary – it’s the working environment, management’s attitude to its people, the ability to grow and so on that matters to them most.

In addition, one of the key elements of ESG compliance is social governance including the prevention of any violence at work. The more we speak about ESG fulfilment the greater the awareness of employees and future employees of such topics. This in turn increases the importance of such factors for them and makes them more likely to seek out a company who adheres to the rules. Failure to comply with ESG could mean losing out on attracting and retaining the best talent, which in turn affects a company’s reputation.

**Jurgita Karvele**  
Attorney-at-law  
Sorainen



## About Jurgita Karvele

Jurgita Karvele is an Attorney-at-law at Sorainen, one of the leading law firms in the Baltics. She specialises in employment and dispute resolution and is well-known in the market for her expertise and for sharing insights with the media. Jurgita is also one of the contributors to the new Labour Code of Lithuania.

## About Sorainen

Founded in 1995, Sorainen is an international business law firm. With 46 partners and more than 250 lawyers and tax specialists, the firm has worked on many significant mandates for international and local clients.

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# Effective Psychoeducation Makes a Resilient, Thriving Workforce

*Constant changes, fusion, moving to a different location, using new systems, meeting new colleagues, merging two different corporate cultures; these are just some of the challenges organisations face during a merger.*

The stresses and strains on employees when merging two separate businesses, are not to be underestimated. Zsófia Logemann-Molnár, Clinical and Health Psychologist and Founder of Minder, discusses why mental health should be at the top of the agenda during a merger and how a clinical health psychologist can assist in easing the transition for employees.

With mental health in the workplace currently such a hot topic, many leaders and HR experts are rightly putting it front and centre as part of their social governance. Always important, but never more so than during a period of drastic corporate transformation, such as a merger, organisations should look at the benefits of working with mental health psychologists to ensure the resilience of their workforce.

## A mergers impact on employees' mental health

So, what happens exactly regarding the mental state of employees during a merger and what are effective strategies used by a mental health psychologist?

Mergers can significantly impact employee well-being, often causing heightened anxiety and uncertainty about job security and future roles. The cause behind this is that the integration of different corporate cultures can lead to stress and conflicts among employees, as they adjust to new ways of working and interacting. Changes in management and leadership styles during a merger can disrupt established routines and trust, contributing to employee apprehension. Additionally, the increased workload and pressure to perform during the transition period can result in burnout and reduced morale. The fear of redundancy and potential layoffs can also create a pervasive sense of instability, affecting overall mental health and job satisfaction.

We often find that organisations that go through a merger have an exceptionally valuable team of experts and dedicated leaders. However, despite their best efforts, they need more fuel to overcome challenges and a heavy workload created by the significant changes occurring throughout the business. This is where good mental health practice comes in.

Positive mental health can be viewed as a state of well-being in which every individual realises his or her potential, copes with the normal stresses of life, can work productively and fruitfully, and can contribute to the workplace community. One of management's top priorities should be promoting a mentally healthy workplace as the key to keeping colleagues productive and reaching financial goals.

Employees need concrete stress-management tools to stay productive and time to recharge their batteries, so they are open for collaboration and able to create new ideas and solutions where needed. Effective psychoeducation for employees makes a resilient, thriving workforce.

## Providing support during the merger

HR leaders should have a comprehensive approach to creating and maintaining a mentally healthy workplace by targeting multiple levels of a business including systems, policies, processes, culture, and leadership.

Not least because this is beneficial for the workforce, but because in Hungary, monitoring psychological health and safety risks is a legislative requirement. Since 2008, the Laws of Occupational Health and Safety declare that the assessment of psychosocial risk is the employer's responsibility and needs to be performed every two years.

Creating a supportive environment where employees feel safe to voice their concerns without fear of stigma or repercussions is necessary. As such, a positive attitude toward mental health programmes in the workplace needs to prevail. This can be achieved by organising a Mental Health Programme Kick-Off meeting for all employees, including HR experts and board members/CEO. It can be very motivating for employees to participate in a health programme where they can see leaders taking responsibility and showing their caring attitude towards colleagues.

## All development starts with asking: Where are we? What would we like to change?

Stress assessment tools involve the collection of informative data about various aspects of the employees' well-being, making it possible to identify possible causes of stress and burn-out, providing a basis for future fitting interventions.

As a next step, based on all the information received, a mental health plan can be developed that includes the applicable approaches to enhance the mental health of employees and involves suggestions to change certain policies, and processes to create a mentally healthy workplace.

## Practical tools to enhance employee mental health

There are several recommended ways in which an employer can boost their employees' mental health. Firstly, organise focus groups, workshops, and seminars to use psychoeducation to empower employees with stress management resilience-building skills.

Secondly, take advantage of e-learning systems to provide employees with the exact exercises and knowledge (coping skills, techniques for emotional regulation etc.) that they need to build resilience.

Thirdly, train leaders on how to manage change effectively and how to support their teams during the transition. Also, train managers to recognise signs of mental health issues and to support their teams appropriately, for example with Mental Health First Aid Training.

Fourthly, if needed, provide access to individual counselling services.

And finally, conduct regular one-on-one meetings between employees and managers to discuss workload and stress levels.

## Tactics to prevent workforce burnout

During a merger, employees may experience increased workloads, extended hours, and heightened pressure to perform, leading to burnout. Leaders have a few options available to them keep employees' mental health from deteriorating all the time.

They should be closely monitoring employee workloads and ensure tasks are distributed evenly so that employees

are not overburdened. They should also promote policies which support work-life balance, such as flexible working hours and remote work options. And lastly, it's important to encourage employees to take regular breaks and use their vacation time to rest and recharge.

## Support after a merger

The period following a merger can be emotionally draining for employees as they adjust to new structures, roles, places, and colleagues. Supporting recovery helps maintain long-term productivity and morale. To assist employees during this transition, it is beneficial to allow them time to recover from the intense emotional strain of the merger process, possibly through additional leave or reduced hours. Providing ongoing support and check-ins ensures employees are adjusting well to the changes. Whilst organising team-building activities can help rebuild trust and camaraderie among employees, post-merger.

To continuously enhance mental health, it is important to regularly update employees about merger progress and plans to reduce uncertainty and anxiety. Engaging employees in the merger process by seeking their input and feedback helps them feel valued and reduces resistance to change. Additionally, acknowledging and rewarding employees for their hard work and adaptability during the merger boosts morale and motivation. By focusing on these strategies, leaders and HR can help mitigate the stresses associated with mergers and maintain the overall well-being of employees.

## Measuring success

To provide concrete proof of the importance of setting up a structured and scientifically proven mental health programme, its effectiveness can be measured using assessment tools which are normally offered at the start. At the end (usually after a year) leaders can calculate the ROI of the programme to share with shareholders, investors, and the wider workforce as appropriate.

Creating a mentally healthy work environment even during and after mergers is doable. Companies that take the mental health of their employees seriously, building it into their business and HR strategy have a competitive advantage which can ultimately be measured by profit. In an era when employee mental health is so important, can you afford not to take it seriously?

**Zsófia Logemann-Molnár**  
Founder of Minder Mental Health Program



## About Zsófia Logemann-Molnár

As a health and organisational psychologist and the founder of Minder Mental Health Program, Zsófia has been supporting national and small and middle-size international companies for the last 10+ years. She has substantial experience working in the Netherlands and Hungary after graduating from Utrecht University. Her approach is based on scientific methods and focuses on reducing turnover by using psychoeducation and supporting companies during transitions such as mergers and extensions.



# Building Resilient Societies: Insights from Finance Leaders

*Sustainable, resilient societies are the last defense against a collapsing future.*

With the progression of the Anthropocene Age, the resilience of our societies is being tested like never before and the connection between human impact and future workplaces is becoming increasingly significant. In this series of articles Georg Winter met with banking and finance experts who are at the forefront of shaping sustainable and resilient societies to discuss societal challenges and sustainability's pivotal role.

In this insightful series of conversations, each discussion provides a unique perspective on the critical issues, multifaceted challenges and opportunities that lie ahead, as well as essential measures for future-proofing our workplaces for a sustainable and resilient future.

## ▪ Have we forgotten the 'S'?

A discussion with Hartwig Löger, CEO of VIG, who questions whether our societies are risk literate enough and if we have forgotten the importance of the 'S' in ESG.

## ▪ Is Financial Education the Key to Resilient Societies of the Future?

Sergiu Manea, CEO of Banca Comercial Român, shares how financial education is key to building resilient societies of the future, highlighting the bank's initiatives to address these challenges.

## ▪ Is Fear of Reform Crippling Austria's Pension System?

Examining the fear of reform that is crippling Austria's pension system, George Winter and Joachim Schuller spoke with Franz Schellhorn, Director of think-tank Agenda Austria, to uncover why Austria's pension system lags and how it can learn from other countries.

## Have We Forgotten the 'S'?

*A recent study by Vienna Insurance Group (VIG) in nine CEE countries revealed that two-thirds of respondents, especially younger generations, struggle with categorising risks and finding preventative solutions. Hartwig Löger, CEO of VIG and Georg Winter discuss whether our societies are risk literate enough.*

**Winter:** It's time to talk about ESG (again!). Companies across Central and Eastern Europe are heavily engaged with ESG concerns, making tangible environmental changes to their processes and practices, and vocally championing their ecological transformation. However, companies seem quieter about the social aspects. While they are addressing them in the workplace, they aren't necessarily as vocal about what they are doing and the strides they are making. This raises the question: have we forgotten the "S" in ESG?

**Löger:** You're right; it does seem organisations have forgotten to talk openly about the "S" in ESG, and I think that's reflected in society as a whole. The environmental element is strongly supported politically at the European level and is evident in investment strategies, insurance technology, and operational activities. The ecological momentum is immediately recognisable. However, the social element, such as affordable housing - a fundamental right clearly defined at the UN level - is rarely implemented by companies through social activities.

I think our risk literacy study, whose results are shocking but not surprising can help shed some light. If all elements of society, and especially the younger generations, are unable to categorise risks and problem-solve effectively to find solutions and safeguard against the risks in their lives, do people perceive social aspects as having no, or at least very few, risks? If risk literacy is so low, and a mentality of fully comprehensive insurance prevails, then this must be having an impact on how we perceive social aspects at work and in broader society, and therefore how much we shout about them.

### Integrating risk competencies into society

**Winter:** Risk literacy is indeed crucial, and it's central to our mission at GrECo. It's essential to adopt a forward-looking perspective and develop risk forecasts that

account for transformation processes. This means considering not only climate and ecological issues but also the social impacts on businesses and society at large.

Like you, we are actively educating our clients to think differently and become more risk aware. The challenge is how we extend this awareness to society, particularly to younger generations, to equip people with future-proof strategies now for risks 20-30 years down the line? Your study underscores the urgency of this task, and we must act swiftly to integrate risk awareness into education and societal dialogue. I believe this proactive approach is vital for fostering a resilient and forward-thinking society.

**Löger:** At VIG, we focus on integrating risk competence into society, targeting both our customers and broader societal issues. Currently, we're conducting a Great Place to Work survey among our employees to address these issues directly and positively. We've emphasised raising awareness of risk rather than just financial literacy, which banks often highlight. Our core competence as insurers lies in understanding and managing risks. Our recent study examined how well people, especially young individuals, assess risks, understand their consequences, and take preventive measures.

There's a significant lack of knowledge and information in these areas. For instance, the EU taxonomy in the social sector remains relatively unclear with few measurable or GPI-related principles defined.

This highlights a critical need for training. We aim to integrate these topics into education systems across our markets, starting from kindergarten through to students. Just like with financial literacy, young people often overlook certain dangers or risks without foundational education. If these topics aren't included early on, advisory options in daily life are often perceived solely from a sales perspective.



Going beyond gender equality

*Winter:* Let's discuss some common risks faced by companies under the "S" in ESG, starting with diversity. While society has made significant strides in accepting gender differences, diversity encompasses much more such as ethnicity, language, age, ability, socioeconomic background, and so on. At VIG, you view diversity as a strength that adds value. How does VIG, a multi-national organisation with 29,000 employees, approach issues of origin, particularly in countries like Georgia, Albania, and the Baltic States? What specific goals are you setting to make diversity tangible and impactful across the Group?

**Löger:** Our Group values the diversity of nations and countries as a unique selling point. With a presence in around 30 countries, and 50 insurance companies and pension funds, we embrace the incredible heterogeneity in markets, mentalities, and people. This diversity allows us to positively exchange ideas and utilise different market developments and approaches.

We focus on working together and leveraging various experiences, approaches, and opinions. This diversity is evident at our headquarters in Vienna, where many colleagues collaborate as a result of this cooperation. We encourage this by not only employing colleagues abroad through project work or direct roles but also by giving them opportunities to hold positions at our headquarters in Austria.

The future for a demographically shrinking market

*Winter:* Diversity often happens in organisations through demographic change. There are studies by the World Bank that show population trends over the last 30 years: Western

Europe is experiencing double-digit growth, while Eastern Europe, for example in Romania and Hungary, the population is declining; dramatically in some cases. What's the future going to look like in a demographically shrinking market? How are you dealing with this challenge at VIG and what can the insurance industry do about it?

**Löger:** This situation is cyclical. Central and Eastern European countries in the EU, like the Czech Republic, Slovakia, and Hungary, faced a strong outflow of people and brain drain 15-20 years ago. Today, due to strong economic growth and significant catch-up, these countries enjoy full employment and positive demographic trends, with many people returning.

I believe Romania and Bulgaria can also build a stable foundation. Their economic growth, driven by targeted investments, shows potential for recovery. This growth, combined with policy measures, could alleviate some pressure on Western European countries facing skill shortages, particularly in professions like nursing. From my experience observing Slovakia and the Czech Republic, I see positive medium- and long-term growth prospects in Central and Eastern Europe.

*Winter:* There's a key point in there – shortage of skilled labour. Full employment in Eastern Europe has an impact on all of us. If we return to the insurance industry, the issue of when we retire will become increasingly relevant. We have to get people to enthusiastically want to and be able to work for more years. On the other hand, of course, there is also pension provision and pension cover, which is coming under increasing pressure due to demographic change. Are we doing enough as an insurance industry? What more can we do?

**Löger:** Enormous momentum has been created in the development of new working methods, remote work, and



flexible hours, positively demonstrating that performance can be measured by results rather than time clocks, and productivity can thrive in a more flexible environment.

The younger generation, in particular, benefits from a more flexible work-life balance, which doesn't hinder company productivity. This presents a great opportunity to optimise life balance positively. Offering flexibility creates opportunities for the company itself. As a financial services provider, we may even have an advantage over production sectors, which face more constraints. We can be exemplary in several areas and continue to develop our working models to fit with a changing society and its needs.

Can AI provide the answer to new risks?

*Winter:* The topic of insurance is closely linked to claims. On the one hand, we are facing demographic change and need to increase productivity, be it due to inflation or increased energy and production costs. On the other hand, we have fewer talented people available. On the horizon is the danger of new risks arising on the claims side in the corporate context. For example, the lack of skilled labour could mean that damage cannot be prevented or minimised due to a lack of craftsmen who can properly repair or maintain machines. And if damage does occur, the loss of skills could mean we no longer have anyone who can repair the machines. I see this as a potential risk.

**Löger:** It's a pragmatic realisation that, after storm damage, finding a tinsmith to repair hail-damaged roofs is difficult due to a shortage of skilled tradespeople and young talent. This impacts both private and industrial repairs. However, the strong trend towards automation and robotics in production and repairs helps mitigate this issue. Digitalisation and AI offer opportunities to replace human input and support productivity in many areas positively.

Good governance of these systems is crucial to avoid social tensions. The challenge lies in ensuring widespread access to and fair use of these technologies. This is a political and

societal task that must be organised in a structurally and socially fair manner.

There's work to be done

*Winter:* Social aspects in the workplace is a vast topic, but I think we've successfully managed to shed some light on why organisations are less vocal when it comes to social versus ecological transformation in the workplace. And it's very clear that there is still a lot of work to be done, and that the insurance industry can help in driving changing perceptions as to the importance of mitigating against social risks in the workplace. If companies address the "S" in ESG with the same vigour as the "E" they will not only foster more holistic organisational practices but also contribute to more resilient and equitable societies.

For the full discussion see the article on our website.  
<https://greco.services/have-we-forgotten-the-s>

**Hartwig Löger**  
CEO  
Vienna Insurance Group (VIG)



**About Hartwig Löger**  
Hartwig Löger is one of the most-experienced Austrian insurance executives and former politician who served as Minister of Finance from 2017 to 2019. Löger has been a member of the Managing Board of Vienna Insurance Group (VIG) since January 2021 and took over as Chairman of the Managing Board of VIG on 1 July 2023.

**About VIG**  
VIG, headquartered in Vienna, manages over 50 insurance companies and pension funds in Central and Eastern Europe. With around 29,000 employees, VIG serves approximately 28 million customers. VIG's strategy focuses on sustainable, profitable growth, leveraging the diversity of its regional markets to drive innovation and customer proximity.

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# Is Financial Education the Key to Resilient Societies of the Future?

*Like other CEE countries, Romania faces low birth rates, emigration, and an aging population. The Romanian National Institute of Statistics projects the population could shrink to 15 million by 2050, a 35% decrease from 1990. This demographic shift poses unprecedented risks for businesses. George Winter discussed these implications with Sergiu Manea, CEO of Banca Comercial Român, focusing on how the bank prioritises education to address the challenges.*



*Winter: What challenges does BCR face with regards to Romania's rapidly declining population, and how can the bank address this seismic demographic shift?*

**Manea:** For the banking industry, demographic change means a different customer base, which has a big influence on how we will carry out operations in the next 30 years. This shift doesn't just affect the bank it also hits the overall market environment: The way we handle our operations, the services, and products we develop, how we build our clients' customer journey, the number of employees we have, the specialisations we look for, and what the branches look like, for example.

*» Our current education system leaves students unprepared for real-world financial management. «*

Addressing demographic issues requires comprehensive policies and collaborative strategies, not only at a national level but also at a European one. It's not just about one-off actions, and on-spot interventions. We need structural reforms, focused on supporting innovation, education, healthcare, and families, to ensure sustainable development and social stability.

**Financial education builds confidence, security, and resilience**

*Winter: How is BCR educating its customers, and how do you actively promote financial literacy, especially given the greater responsibility individuals face for savings and retirement planning amid complex financial decisions?*

**Manea:** Our goal is to help individuals understand the impact of saving or investing a portion of their income regularly. We aim to change money and saving behaviours through practical education and planning.

We promote financial literacy as a cornerstone for society's prosperity, laying the foundations for better financial choices, confidence, security, and resilience. We offer Romanians a long-term perspective on finances through client dialogues, annual financial planning campaigns, and education programmes. Throughout which we emphasise the importance of savings, investment plans, various types of insurance, building a retirement plan, and joining a private pension fund.

Moreover, we're proud to be Romania's financial education coach. We've reached 1.2 million Romanians through our programmes – Money School and Financial Coaching - and we take pride in the fact that 1,500 of our 5,000 BCR colleagues are Money School financial literacy teachers. Since its launch in 2016, Money School has become the largest financial education initiative in Romania, with more than 675,000 graduates. It has been highly successful, and

moving forward, we need to expand and enhance our financial literacy projects.

*Winter: Are the younger generations showing an interest in investing in their future?*

**Manea:** At 25, many don't think about retirement and don't see the point of contributing to a pension fund or understanding insurance benefits. That's why active financial learning is crucial. BCR believes in educating Romanians about long-term finances and supporting them throughout significant life moments with tailored products and expert advice.



Education is a bit of a conundrum. I personally think education should start much earlier than when you leave school and start fending for yourself a bit more. Our current education system leaves students unprepared for real-world financial management. So, we're aiming to make them financially savvy from a young age.

*» No matter how small the steps they can afford to take, every little bit of forward thinking and saving can really help build a secure future. «*

Our LifeLab project integrates financial education into the school curriculum, teaching practical financial planning alongside traditional subjects. For instance, during a geography lesson about tourism, students don't only learn about the distance between two cities and the type of landscape, but also about the financial planning of a day trip between those cities.

**Understanding financial health is the key to success**

*Winter: In a VUCA world, how can banks help customers strengthen their financial resilience?*





**Manea:** It’s all about teaching your customers what they can do to help make themselves financially resilient. No matter how small the steps they can afford to take, every little bit of forward thinking and saving can really help build a secure future. Banks are able to facilitate that learning.

BCR is prioritising the financial health of every client and every company in Romania, which is why we are continuously developing tools and services to increase access and awareness to financial education. We are in contact with the entire economy. We hold daily meetings with the business community and understand the concerns of entrepreneurs, regardless of their business size or industry.

Over the last four years, we have learned to navigate a tide of uncertainty by having lots of discussions with entrepreneurs about how we work on alternative scenarios, how we keep our strategic plan relevant and effective, and how we can create a better risk management framework for them. The result of these conversations is a financial health section for companies in George for Business, our digital banking platform for micro-enterprises and independent professionals, which will be available soon.

We relate to businesses in Romania with transparency and our aim is to democratise access to financial and

entrepreneurial education because this is the only way for the Romanian business environment to advance towards the economy of the future and business financial health.

**How sustainable banking drives societal transformation**

*Winter: Are banks actively promoting sustainability and leading societal transformation in that direction? Is BCR already pursuing sustainable lending and investments, and are customers showing growing interest in these initiatives?*

»We believe our role is to drive supply and demand for green financing.«

**Manea:** Banks play a crucial role in driving sustainability, and BCR is no exception. We are actively taking steps towards sustainable lending and investing, recognising our key position in fostering a more sustainable society, but we still have a long way to go to embed sustainability in all our portfolio, including greening client portfolios, consolidating our green product offers, and conducting environmentally sustainable operations.

We believe our role is to drive supply and demand for green financing, and our colleagues lead discussions with our clients about the importance of business transformation. We tell them sustainability is a journey and that we are dedicated to making this journey together with them, helping our clients and communities.

**The transformation of banking in 2024**

*Winter: In the past three years, the Euro zone was facing its highest inflation levels since the introduction of the common currency. This tends to weigh more heavily on lower-income households and small businesses. Can the financial sector counteract this movement?*

**Manea:** I always say we can navigate the challenges posed by inflation and improve financial resilience through financial education. Providing education on budgeting and financial planning can help households and small businesses manage their finances more effectively during periods of high inflation.

Our aim is to design and offer value-added services to our customers, which expand their purely financial needs. Because banking in 2024 is not just about debts, lending and solving immediate needs. Banking today is about savings products, investments, insurances, private pensions, or green mortgages. Your daily banking activities are literally at your fingertips through your phone, so now people go to a branch for specialised and personalised tips.

That’s why I say banking today is about fulfilling your strategic life and business goals. It’s about long-term planning, protection, and financial prevention. For us, this is the way to safeguard financial health and ensure stability in uncertain economic times.

**Next generation banking: How Gen Z is driving transformation**

*Winter: As Gen Z emerges as one of the most significant client groups, what are their key characteristics and how is the bank responding? Also, considering their influence on industry changes, how does this impact older generations who may feel excluded from digital advancements?*

»We've learned they crave seamless digital experiences and financial literacy.«

**Manea:** This is my favourite topic because Gen Z has been pivotal in shaping our approach. They sparked our digital transformation investments eight years ago and influenced the development of George five years ago. They prioritise value, are cautious spenders who seek clear benefits, and are deeply concerned about social

and environmental issues. Their transparency and demand for honesty resonate across all relationships. What’s more, from our Money School interactions, we've learned they crave seamless digital experiences and financial literacy.

With regards to the older generations, we're mindful of bridging the digital gap. Despite assumptions, we see elderly customers engaging with digital services in our branches. Our colleagues play a crucial role in guiding them through this journey. We're committed to empowering seniors with digital literacy, recognising they seek self-sufficiency in an increasingly digital world. They require support in adapting to tools designed primarily for younger demographics, ensuring they remain connected and capable in today's digital landscape.

**Sergiu Manea**  
CEO  
Banca Comercială Română



**About Sergiu Manea**  
Sergiu Manea became CEO of Banca Comercială Română (BCR), Romania's leading financial institution, in October 2015. He has overseen BCR's transformation, marked by the launch of Romania's first intelligent banking platform, George. Under his leadership, BCR has also become a pioneer in financial education through The Money School, Romania's largest financial literacy programme.

**About Banca Comercială Română**  
Established in 1990, BCR took over the commercial banking operations of the National Bank of Romania. Today, the bank is one of the most important financial groups in Romania, encompassing a wide range of operations such as universal banking (covering retail, corporate, and investment banking, as well as treasury and capital markets), alongside specialised companies in the leasing market, private pensions, housing banks, and various banking services.

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# Is Fear of Reform Crippling Austria's Pension System?

*Georg Winter and Joachim Schuller spoke with Franz Schellhorn, Director of think-tank Agenda Austria, to uncover why Austria's pension system lags and how it can learn from other countries.*

Austria's pension system is facing significant challenges, hampered by a reluctance to adapt to demographic and economic pressures. While other European nations have implemented vital reforms, Austria remains the "early retirement champion" of Europe. A shocking 30 billion Euros - quarter of the federal budget - goes towards sustaining the current system. This inertia endangers both public finances and the future stability of pensions.

## How does Austria compare with other European nations?

*Schuller: Let's start on a large scale and compare Austria with Europe, or rather internationally. Where does Austria stand as a country?*

**Schellhorn:** We are at the top of the list when it comes to refusing to reform. That is certainly something that characterises Austria at the moment, because many countries have made their pension systems sustainable, that is, they have adapted them to demographic change.

We are still the European champions of early retirement. Hardly anyone retires as early as we do.

Our pension system demands vast budgetary resources. Although we are not at the top when measured against GDP, the fact that a quarter of the federal budget - about 30 billion euros - is used just to cover the financial shortfall of the state pension system places us in a precarious position. This is a significant concern, especially for the finance minister, whether current or future, because stabilizing this system should be a priority.

In comparison, nearly all other countries have taken substantial measures to stabilize their pension systems. The fact that we spend more than twice as much on covering the pension deficit as we do on our entire educational system, from kindergarten to university, highlights the gravity of the situation. Addressing this imbalance should be our primary focus, as neglecting to do so only exacerbates the financial strain on our national budget.

## Implementing a second pillar in Austria

*Winter: It seems evident that implementing a second pillar, specifically a company pension scheme, is a logical step for Austria.*

**Schellhorn:** Indeed, but we must begin somewhere. Although Austria has a second pillar, it is not yet effective. In Switzerland, every company, regardless of size, must set up a company pension scheme. Austria should follow this model to secure the first pillar and allow the population to share in the wealth increase. Missing this opportunity would be negligent.

## Beneficial solutions for employees and employers

*Schuller: We've looked at the employee side, what about the employers? Of course, employers should not be burdened additionally, meaning they don't want any further expenses. Do you see any possibilities for finding a solution somewhere where both sides can benefit?*

**Schellhorn:** At Agenda Austria, we've explored ways to implement this system without further inflating our already high labour costs. One proposal is to transfer the new





severance pay to the second pillar, which constitutes 1.53% of the gross wage. If rounded up to 2%, only 0.47% would have to be added. Additionally, we could reallocate non-work-related benefits like housing assistance to offset costs. Another suggestion is to finance family support from the general budget rather than labour costs, as practised in other countries. This would provide enough leeway to introduce a second pillar without increasing labour costs, potentially even reducing them.

For employees, a balanced approach might involve a 2% contribution from both employers and employees, but it should remain optional. The tax design must benefit employees to ensure their participation. Although the state might face short-term tax shortfalls, future generations would ultimately benefit.

*Schuller: So, you would say, taxation in the pension phase then? Trade unions might argue that those who can afford to pay more into their pensions will do so, which is unfair – the higher one's income, the greater the tax rebates.*

**Schellhorn:** Yes, taxation only in the retirement phase. In a non-communist system, disparities are inevitable. Higher earners can pay more, and successful companies might contribute more than the 2%.

Flexible retirement ages

*Schuller: Earlier, we briefly touched on the topic of flexible retirement ages. Some European countries have already implemented this and link retirement to life expectancy. Why aren't we doing this in Austria?*

**Schellhorn:** The topic of flexible retirement ages is politically taboo. When the pension reform occurred in 2003, it had significant impacts, but times change. Many people today recognise the need for change, particularly when considering their children and grandchildren. They

understand the urgency due to the imbalance between contributors and pensioners. This issue should have been addressed long ago.

Public perceptions and realities

*Winter: There is an interesting phenomenon in Austria. Surveys show that at least half of Austrians believe they will only receive a minimal pension, if any. Are we heading towards disaster with our eyes wide open?*

**Schellhorn:** Many young people today believe they won't receive any pension, or only a minimal one. It's a distant concern for them, as they're focused on building their lives. However, pensioners should be the most interested in younger people working longer, as eventually, the burden on the younger generation will become unbearable. Currently, there are 1.5 workers for every pensioner, and some workers are reducing their contributions by working part-time or less. By 2050, Austria will have one million more pensioners. Despite this, pensioners' associations and politicians seem to believe that the current system is sustainable, when I would say it is quite unreliable.

Potential solutions and adjustments

*Schuller: Do you therefore think that there will be cuts in pensions?*

**Schellhorn:** We have three options: increase contributions, reduce pensions, or work longer. The most socially acceptable solution is to delay early retirement by a few months. This approach is reasonable for most Austrians.

Increasing contributions, which are already at 22.8% of gross wages - among the highest in Europe - would weaken the standard of living and provoke unrest. Cutting pensions should be the last resort.

Retirement anxiety is high among those around 61 or 62 due to fears of system changes. High deductions act as the right incentive, so people accept lower pensions to retire early. This is a psychological reaction: better to have a smaller pension now than risk uncertainties of future changes and potentially have to work until 67.

Poverty in old age

*Winter: Is there a concern about poverty in old age, or do retirees have other sources of income to rely on?*

**Schellhorn:** Poverty in old age is completely absurd for pensioners in Austria, as pensions now represent 90% of the average income, which is relatively high. Originally, the pension system was designed to ensure that individuals could have a roof over their heads without the threat of poverty. Supplementary savings would then help maintain their living standards. Nowadays, Austrian pensions are substantial, so people generally accept pension reductions to retire early, valuing immediate retirement over future uncertainties.

*Winter: So, regarding the three solutions you mentioned earlier, if asked directly, do people tend to favour pension reduction over longer working periods?*

**Schellhorn:** Yes, they do. Many opt for pension reductions for themselves.

Impact of longer working hours for women

*Schuller: Women have been working longer hours since the beginning of this year. What effect will that have on our pension system?*

**Schellhorn:** The extended working hours should yield positive effects. Since 1992, women have benefited from including their best five earning years, resulting in higher pensions and less old-age poverty. By 2034, we expect all women will work until the age of 65.

These changes benefit both the labour market and the pension system although it will take time. It is important to raise the statutory requirement age, and that is now happening for women. However, raising the actual retirement age is becoming more problematic. People believe that if they work for longer, they get a higher pension however, in Austria we must realise that we actually have to work for longer to get the same pension. Addressing this issue is essential otherwise we don't solve the fundamental problem. Austria's pensions are notably high, with our minimum pension exceeding Germany's average.

*Schuller: It's evident that pensions in Germany are notably lower compared to Austria. This disparity becomes apparent when observing social environments. In Germany, retirees often visibly struggle with low pensions, a situation much less pronounced in Austria. Would you agree with this assessment?*

**Schellhorn:** Absolutely, having little is indeed a significant issue. However, old-age poverty is also considerably higher in Germany. There's no debate about that. In my view though, Austria would benefit from following the Danish model. We should have the first pillar as basic coverage with the state providing enough for housing, and then develop the second pillar to support people to be able to afford current living standards post-retirement. And a third option, which we always recommend, is for retirees. If they choose to continue to work after the statutory retirement age of 65, their pension is taxed, but there's no wage tax or social security. Earnings beyond the pension are taxed at a flat rate of 10% up to a limit, letting them keep 90%. Such a system could introduce beneficial dynamics, encouraging older individuals to continue working, even if it's only for 10, 15, or 20 hours a week.

*Winter: Thank you for your insights and contributions to this important conversation. This discussion on Austria's pension system reveals a complex and evolving landscape. While there are stark contrasts in perceptions and political stances, it is evident that the future of pensions remains a critical issue. Addressing it will require foresight, adaptability, and a willingness to confront uncomfortable truths. The road ahead may be fraught with challenges, but through informed debate and proactive measures, there lies potential for a sustainable solution that secures the well-being of future generations.*

**Franz Schellhorn**  
Director  
think-tank Agenda Austria



**About Franz Schellhorn**  
Franz Schellhorn has been Director of the think-tank Agenda Austria since its launch in 2013. Prior to that, he worked as a journalist at the daily newspaper 'Die Presse' for 15 years, where he was in charge of the business section for eight years. He regularly writes columns for newspapers and magazines with incisive arguments and values the opinions of those who think differently.

**About Agenda Austria**  
As Austria's first (and only) think-tank independent of the state, parties, chambers and interest groups, Agenda Austria analyses economic and socio-political issues and develops appropriate solutions. Their goal is a better future for all people in Austria.

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# The Sustainability of Social Credit Systems: Ideological Roots, Technical Implementation, and Global Impact

*What was fiction in the Netflix series “Black Mirror” has become reality: The introduction of social credit systems in China has attracted worldwide attention. These holistic systems, which aim to incorporate analog and digital data as well as automation, are often compared to George Orwell’s dystopian work 1984 and described as a data dictatorship.*

*But how sustainable are these systems?*

*And could they work in Europe?*

## China’s Social Credit System

The Social Credit System (SCS) in China is a complex and multifaceted government initiative to assess and influence the economic and social behaviour of individuals, businesses, and other entities. Here’s a breakdown of how it works:

- **Data collection:** The system collects data from various sources, including government records, financial transactions, and social behaviour.
- **Credit ratings:** Based on the collected data, credit ratings are assigned. These ratings can affect individuals’ and businesses’ access to services and opportunities.
- **Rewards and penalties:** The system rewards behaviours deemed positive, such as paying bills on time or performing community service and penalises negative behaviours like breaking traffic rules or defaulting on loans.
- **Blacklists and red lists:** Entities with poor ratings may be placed on blacklists, restricting their activities, while those with high ratings may be placed on red lists, granting them benefits.
- **Local variations:** The SCS is not a single, unified system. Different regions and sectors in China have their own versions, with varying degrees of implementation and enforcement.

The system intends to monitor, rate, and regulate the financial, social, moral and, possibly, political behaviour of China’s citizens – and the country’s companies – via a system of punishments and rewards. The stated aim is to “provide the trustworthy with benefits and disci-

pline the untrustworthy.” Each citizen is expected to be given a social credit score that will increase or decrease depending on whether the subject’s social behaviour is acceptable. Furthermore, foreign companies wanting to enter the Chinese market will be given a score. As the system is still in a state of evolution, it is not possible yet to determine the consequences.

High scores potentially can lead to fast-track promotion at work, priority for school, cheaper public transport, and tax breaks. For example, companies that are classified as an ‘Advanced Certificate Enterprise’ may receive faster customs clearance, or ‘A-rated’ taxpayers may have their tax returns processed more quickly.

Whereas punishments are supposed to lead to denial of licenses and permits, limited access to some social services, or exclusion from booking flights. It was indicated that 23 million people were blacklisted from travelling in 2019. But perhaps the most shocking punishment, is public shaming with exposure either online or on TV screens in public spaces of the names, photos, and ID numbers of black-listed citizens. As part of this public shaming, phone dial tones that inform people that they are calling a “dishonest debtor” have also been mandated by authorities.

It’s important to note that the SCS is still in its infancy, and its implementation varies across China. The first round of pilots was launched in 2009 and the roadmap planned in 2014, by 2019 it was agreed to speed up the building with a deadline set to 2020.

The central government’s version focuses more on financial creditworthiness and legal compliance rather than a comprehensive social behaviour score. The system has sparked significant international interest and debate regarding its implications for privacy and civil liberties.

However, the concept of a social credit system raises interesting questions about its potential impact on labour markets outside of China, such as in Europe.

## Considerations in Europe

While no European country is currently considering implementing a system identical to China’s Social Credit System, there are discussions and experiments related to similar concepts. For instance, Italy has tested a “digital wallet” system aimed at encouraging eco-responsible behaviour. This system rewards citizens for actions like recycling correctly or using public transport. However, unlike China’s SCS, this initiative is optional and does not include sanctions for negative behaviour.

European Surveillance Concerns also highlights a broader conversation in Europe about the balance between surveillance, privacy, and incentives. Some observers draw parallels between China’s SCS and potential European initiatives that reward certain behaviours, though these are not as comprehensive or punitive as China’s system<sup>5</sup>.

It’s crucial to recognise that any such system in Europe would have to navigate complex legal and ethical landscapes, including strict data protection laws like the GDPR, which may limit the scope and nature of any social credit-like system.

Public opinion on systems similar to China’s Social Credit System in Europe is mixed, with both support and opposition evident across different contexts and countries. The significant opposition to the idea of a comprehensive social credit system in Europe, is mainly due to concerns about privacy, surveillance, and the potential for abuse. Critics argue that such systems could lead to discrimination and loss of individual freedoms.

So, while there is interest in systems that incentivise positive behaviour, the European public is generally wary of any system that resembles the SCS in terms of surveillance and control. The debate continues as technology evolves and the need to balance security with personal freedoms becomes increasingly important.

## Potential impact on the European labour market

Putting legal concerns aside, consideration of systems like China’s SCS leads to interesting questions regarding the labour market, especially when taking into account the current shortage of personnel. If a similar system were to be implemented in Europe, it could potentially affect the labour market in several ways:

First and foremost, employment decisions could be skewed by a social credit score system. Employers might use prospective candidate’s scores as part of their hiring criteria, potentially disadvantaging individuals with low scores, no matter their qualifications.

Secondly, and in direct contrast to the above point, the labour shortage could tempt employers to overlook negative social credit scores to fill necessary positions, putting social scoring above educational background.

Thirdly, there are ethical considerations. The moral implications of such a system would likely spark strong debate, particularly regarding discrimination.

And finally, what happens, if a system like the SCS gets hacked and scores deleted and/or altered? The hacking of a social credit system could have serious implications including score manipulation where if points were altered or deleted, it could undermine the integrity of the system, leading to mistrust and social instability. There are also social implications: The erosion of trust in such a system could extend to online platforms and services, as users become wary of the security of their data.

## Is a social credit score system viable in Europe?

In summary, while the SCS is a distinctive feature of China’s approach to governance, its application in Europe would face significant challenges and concerns, particularly related to privacy, ethics, and security. However, if implemented in a secure way, it might be a helpful tool, particularly when considering current insolvencies. Would banks and other lenders decide differently, if a company’s or an individual’s score of “trustworthiness” based on all kind of behavioural data, and not just credit scores, was negative?

Systems like these are an outcome of our technologies, many of them promising innovations integrating protection and resource management to help make our daily lives easier. This brief insight into the SCS illustrates that data collection provides useful opportunities in this matter, as long as the risk potential, i.e., data breaches, is handled accordingly.

With the correct (cyber) risk management in place, innovations such as these can offer new approaches to overcome current challenges, such as the labour shortage, by also considering possible useful (social) information and not just pure educational qualifications.

*For sources see the article on our website.  
<https://greco.services/the-sustainability-of-social-credit-systems-ideological-roots-technical-implementation-and-global-impact/>*

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# Crystal-Clear Goals for Sustainable Development and Education

*The Stoelzle Glass Group has been manufacturing packaging glass for over 200 years. Birgit Schalk, Sustainability & Decarbonisation Manager at Stoelzle tells Lisbeth Lorenz how the company is leading the charge in meeting environmental targets and educating and inspiring local communities globally.*

## Making glass greener

**Lorenz:** *Stoelzle has been taking social and environmental targets seriously for some time now. How are you making your glass production more environmentally friendly and what impact is it having on employees, suppliers and wider society?*

**Schalk:** We are committed to making our glass even "greener" with science-based decarbonisation targets validated by the Science Based Targets initiative (SBTi). By 2030, we aim to reduce direct and indirect greenhouse gas emissions from glass manufacturing and purchased electricity by 50% compared to 2019 levels, and reduce emissions from the value chain by 15%, achieving net zero by 2050. This makes Stoelzle one of the few European glass manufacturers with SBTi-recognised climate targets.

The company's holistic sustainability strategy doesn't only focus on its own environmental targets, but also includes social issues and monitoring its supply chain. By actively promoting eco-friendly practices, monitoring the ecological impacts of our supply chain, educating our employees, and hosting community outreach programmes we aspire to make our suppliers, employees, and wider society more environmentally responsible.

**Lorenz:** *How are you going to achieve your climate targets?*

**Schalk:** We are focusing on electrification and transitioning from gas to renewable energy. Our sustainability strategy aims to save energy and gradually switch to renewable forms of energy, to use resource-efficient processes,

and to produce lightweight glass with maximum recycled content. We have already implemented numerous projects, including a process and energy management system at all sites, which will improve energy efficiency by 3-5% and has already reduced municipal water consumption by 50% at our Austrian plant. Since 2020, our rooftop photovoltaic systems have produced around 3,610 MWh of green electricity annually. Additionally, we are researching alternatives to CO<sub>2</sub>-emitting raw materials and using cullet to minimise primary raw materials and reduce our carbon footprint.

Our "Prestige Recycled Glass" has been recognised for its quality and sustainability, producing brilliant flint glass with a post-consumer cullet content of at least 35%.

Further innovation includes the introduction of a batch preheater at the Köflach site in April 2023 which utilises the waste from our glass furnace to preheat the batch. This has reduced energy consumption by over 8% and is saving 4,000 MWh annually. We also feed residual heat into the local district heating network via a heat exchanger to supply heat to around 1,800 households. And, in collaboration with IPGR (International Partners in Glass Research), we, along with a number of other companies, are developing an energy-efficient "furnace of the future" powered by hydrogen and electricity.

## Igniting a passion for industry and science: Education is crucial

**Lorenz:** *When it comes to sustainability and environmental issues, the social aspects must not be forgotten. Earlier, you*



*mentioned educating employees, can you tell us a bit more about what programmes you have in place?*

**Schalk:** Stoelzle has implemented numerous training and information measures for its employees, among other things. The Stoelzle Online Academy was launched in 2020, and its first webinar series with external lecturers on the topic of "Green Knowledge - Climate Change - Myths, Risks and Opportunities" inspired more than 100 participants from all of the glass group's European locations. Renowned experts gave talks on environmental topics to sensitise the Glass Group's employees to sustainability and climate awareness.

**Lorenz:** *I know your passion to educate doesn't stop with your employees and isn't just about being more environmentally friendly. What educational impact is Stoelzle having on a local level?*

**Schalk:** We are committed to supporting schoolchildren and young people at all of the Group's sites, whether through sports clubs, educational institutions, or charitable initiatives. We aim to inspire young people, both boys and girls, to pursue careers in industry and science. We strive to ignite a passion for these fields by participating in various initiatives and programmes that promote the education and training of future generations including the "Long Night of Research" and "Girl's Day", an Austria-wide initiative that gives young women a taste of technical professions and the potential of jobs in the STEM sector. Every year, we invite numerous schoolgirls to visit our production plant and experience glass production and the work in the individual technical departments first hand.

**Lorenz:** *What about at a higher education level?*

**Schalk:** Stoelzle is also in close contact with technical colleges and universities and offers students the opportunity to familiarise themselves with the glass industry and gain practical experience as part of internships or workshops. For several years now, the "Dr. Grupp Scholarship" has been awarded annually to students of various technical disciplines who are passionate about their studies

and show a high level of commitment to their subject area. In addition, we offer programmes and facilities for students and researchers to work together on innovative projects to stimulate interest in the glass industry.

## Firing up the community: Family days and events

**Lorenz:** *How does your company contribute to social transformation within the local community and enhance employee engagement?*

**Schalk:** Stoelzle production sites regularly organise family events and open days. These events serve to introduce our production sites to employee family members and to the local population. They are very popular. After all, experiencing glass production up close is not an everyday occurrence! At these events, Stoelzle always offers a wide range of exciting activities such as climbing, horse riding, children's entertainment, and performances by the company fire brigade.

We also have family ski days, and the Stoelzle team runs events and St Nicholas parties for the children of our employees, all of which helps to boost our employee engagement.

**Birgit Schalk**  
Sustainability & Decarbonisation Manager  
Stoelzle



## About Stoelzle

*The Stoelzle Glass Group has been manufacturing packaging glass for the pharmaceutical & medical, spirits, perfumery & cosmetics, and food and beverage sectors for over 200 years. It employs over 3,000 people worldwide and comprises five production plants in Europe and, since 2021, a production site in the USA. Over 3.2 billion bottles roll off the production line every year. The Group's main plant is located in Köflach, Styria, and employs around 550 people.*

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# From Textiles Giant to Europe's Biggest AI Hub: the Transformation of Prague's Industrial Prowess

*AI is taking the world by storm and companies large and small across all sectors are exploring how this latest technological development can aid them in their business endeavours. Lubor Kunc caught up with AI experts Lukáš Kačena, Director at prg.ai and Jan Procházka, CTO and Data & AI Platform Lead at DataSentics to discuss how Prague is embracing AI and what social impacts it is having on businesses.*

**Kunc:** Please can you tell us a little bit about the AI scene in Prague?

**Kačena:** Like Czech Republic as a whole, Prague has a strong engineering tradition and a high quality of life. It's a safe, strategically located city and home to numerous globally successful companies, not only in IT but also more specifically in cybersecurity and AI. There are also many leading European scientists in AI research subfields like computer vision and robotics based here. It has the business and research talent to become a significant AI hub.

**Kunc:** What impact is the focus on AI in Prague having on society?

**Kačena:** Since the rise of generative AI, we've seen interest in the entire field grow across society, which naturally impacts the whole AI scene. Far more people are

interested in AI, which is positive, but it makes education even more important. This interest is translating into the creation of new companies and the exploration of AI's potential benefits by existing ones – from small businesses to larger corporations everyone is exploring the possibilities. Many notable initiatives are emerging and evolving further harnessing AI's potential in much needed areas such as primary and secondary school education.

## Tailoring AI to industry needs

**Kunc:** Is there a difference in the approach of various industries towards AI? How are firms using AI tools?

**Procházka:** We focus on financial services, manufacturing, defence, retail & eCommerce, and healthcare & life sciences, and we're finding the approach is quite homogenous. Today, advanced AI strategies are well-defined; they already rely on





standardised cloud IT infrastructure. However, the success of AI strategy execution depends heavily on industry expertise. The implementation must be tailored not just to the industry, but to the specific organisation. This is where we will see the most challenges for businesses.

**Kačena:** That’s exactly right. It’s important to realise that AI isn’t just one tool, and it’s (much) more than just generative AI. Amidst the trailblazers, we’re seeing different firms in different industries using AI in various ways, each tailored to their specific needs. However, for the majority, AI is relatively new. Currently almost everyone is interested in it, but many companies don’t know where to start.

There’s also a significant difference in how companies approach it, with some adding integrated AI tools into their operations while others are reluctant to begin. We know of many interesting usages across sectors, such as manufacturing, logistics, agriculture, healthcare, and even law and the arts.

**Kunc:** Please could you give us a few examples?

**Kačena:** Of course. Looking among our members, I can name many and I’ll try to demonstrate the breadth of sectors where AI is helping. Some examples include a synthetic presenter for Czech radio stations; on-demand suburban transportation; the optimisation of milking cows; and automatic request processing in government offices. Perhaps one of the most exciting is the use of AI to detect fraudulent documents – this is something which could be very relevant to many companies.

**Procházka:** We’re also seeing the success of AI in highly regulated industries too such as financial services and healthcare and life sciences. In both sectors AI is dramatically

boosting efficiency and streamlining processes. Traditional FS&I players have begun gaining a competitive edge and enhancing customer experience, and in the medical arena AI enhances diagnostics, personalises treatments, and speeds up drug discovery. Virtual assistants and optimised admin tasks are leading to increasingly improved patient outcomes.

Manufacturing is another interesting segment to look at. AI is already used in this sector for predictive maintenance, quality control, supply chain optimisation, and back-office automation. However, there’s a growing gap in manufacturing. Large enterprises have leveraged AI for years, while small to medium-sized manufacturers are often just starting out. This is where we are seeing the uncertainty Lukáš mentioned.

**Kunc:** Is it also possible to use AI tools for risk mitigation?  
**Kačena:** Absolutely! Risk analysis and prevention are certainly areas where AI can be utilised. The foundation of risk mitigation is understanding phenomena and influences based on vast amounts of data, which is precisely where artificial intelligence significantly outperforms human capabilities. Leveraging AI can sometimes be the only way to effectively respond to fincrime and cybersecurity challenges, especially when the perpetrators themselves are using it.

**Building strong AI confident workforces**

**Kunc:** What do you think the biggest social impacts of AI are on industries in CZ? It is transforming work processes but what knock on impact is this then having on workforces?

**Kačena:** AI is transforming Czech industries by automating routine tasks and shifting the focus of work towards creativity and problem-solving. This necessitates upskill-

ing and retraining of the workforce to meet the demands of AI-driven jobs. While AI improves productivity and efficiency, it also raises concerns about potential job displacement and socioeconomic inequality. Addressing these challenges requires proactive policies to ensure a smooth transition for all workers.

**Procházka:** That’s right, and we must remember a fear-driven culture kills AI adoption. The key is well-executed risk management and openness to change at individual, business, and public levels. Successful companies address concerns and transform them into constructive actions. This forward-thinking mindset must be embraced by a critical mass of employees to guarantee a confident, resilient workforce remains.

People need to trust that they can innovate and adapt, which is based on actions, not words. Digital businesses support innovations through A/B testing, prototyping, hackathons, and conferences; they literally inspire regular team members to change the company and its products. This digital culture brings an enormous competitive edge through daily innovations. The results are already visible in banks, insurance, manufacturing, healthcare, and other industries.

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**About Lukáš Kačena**  
*Lukáš Kačena became Managing Director of prg.ai in April 2022. He took up the leadership of prg.ai with a vision to further develop its activities, expand the services provided to members and raise the profile of the Czech innovation scene in the world. Prior to this, Lukáš worked as a consultant to the public administration, focusing on strategy development and research, development, and innovation policy. He also headed the programme development and management section at the Technology Agency of the Czech Republic.*

**About prg.ai**  
*Prg.ai takes care of Prague’s AI innovation ecosystem and connects key players. Its focus is broad: education and awareness raising, promoting the local AI scene both at home and abroad, mapping the AI landscape, and organising various events. Its goal is to establish Prague as a significant European AI hub by bringing together researchers, companies, start-ups, non-profits, and educational institutions.*

**About Jan Procházka**  
*Helping people and organisations take 360° control of their AI, data, and related technologies, unleashing value and opportunities, Jan Procházka supports data and AI specialists in forward-thinking changes, leveraging his past experiences as a developer, dwh operations lead and solution architect. He joined DataSentic in November 2017 and became Global CTO of Vertical AI Solutions at Eviden in April 2023.*

**About DataSentic**  
*DataSentic accelerates businesses to leverage data and AI for competitive edge and strategic goals. We work with huge global enterprises through our mother company Atos under the Eviden brand and also with smaller companies with interesting data and growth mindset.*

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# AI in Cybersecurity: Risk, Replacement, or Reinforcement?

*Artificial intelligence has been steadily gaining prominence across various sectors and is now playing a significant role in cybersecurity.*

As society grapples with its integration into everyday life, organisations are rethinking how they defend against cyber threats. However, this shift also raises pertinent questions: does AI pose a greater risk to cybersecurity by potentially replacing human intervention? Can AI ever fully replace human judgment? And perhaps most crucially, how can AI and human expertise complement one another to bolster cybersecurity? Our cyber insurance expert Mihajlo Milanovic from GrECo and cybersecurity expert Ulrich Fleck from CERTAINITY offer their insights.

## The double-edged sword of AI

While AI undoubtedly brings exciting developments to cybersecurity, it also presents new risks. The same technology that can fortify defenses may be exploited by cybercriminals. Adversarial attacks - where AI is deployed by attackers to craft sophisticated, often unrecognisable threats - are a growing concern.

One emerging area of malpractice involves AI being used to automate and enhance phishing attacks, making them more tailored and persuasive. "Deep fake" technology, which enables the creation of highly realistic fake audio and video content, is increasingly being used for fraudulent purposes. A well-publicised example occurred in February 2024 in Hong Kong, where a finance employee was duped into transferring \$25 million following a convincing AI-generated call from someone posing as the company's CFO. Similarly, during the Slovakian pre-election campaign, a fabricated conversation between a journalist and a politician circulated widely on social media.

This rising trend suggests that AI-enhanced fraud is likely to grow. However, on the defensive side, AI also has enormous potential, particularly in areas like software development. It can swiftly analyse millions of lines of code to detect errors, significantly improving software security. Nevertheless, criminals will inevitably harness this same technology to identify and exploit vulnerabilities. Moreover, AI systems - especially those that are opaque or poorly understood - may themselves introduce unforeseen weaknesses. If such a system makes a critical mistake, human operators could struggle to identify and rectify the error quickly.

## Will AI replace the human element in cybersecurity?

AI excels at processing large volumes of data, detecting patterns, and responding to threats in real time, making it an invaluable tool in cybersecurity. Yet, it cannot replace the human element entirely. Cybersecurity is not just about technical defenses; it involves strategic thinking, ethical judgment, and the ability to respond to the unexpected - areas where human insight remains indispensable.

AI lacks the nuanced understanding of context and the ethical framework that humans bring to decision-making in cybersecurity. Furthermore, creative problem-solving

and the capacity to anticipate unforeseen developments - skills that often prove crucial in cybersecurity - remain outside AI's capabilities.

## The collaborative future of cybersecurity

The future of cybersecurity is likely to depend on a collaborative model where AI and human expertise work in tandem, each reinforcing the other. AI can manage routine tasks - such as network monitoring, anomaly detection, and addressing minor threats - freeing human professionals to focus on more complex challenges, such as analysing advanced attacks and shaping strategic security policies.

AI's capacity to process and analyse vast amounts of data also generates actionable insights that would be impossible for humans to handle unaided. However, it is human experts who provide the necessary ethical and contextual judgments, interpreting AI's findings and making informed decisions. In this collaborative framework, AI enhances human efficiency and effectiveness by automating routine and data-intensive tasks, allowing cybersecurity experts to focus on areas that demand human intelligence.

## Striking the right balance

The combination of AI and human judgment will likely play a crucial role in proactive risk management, helping to mitigate and reduce cyber risks in the future. The insurance industry is already engaging with AI's potential, although it remains to be seen how cyber insurers in particular, for whom solid IT security plays a key role in risk assessment and the associated underwriting and pricing policy, will react to AI.

While AI is often heralded as a game-changer, it is important to recognise that it is no panacea. This is particularly true in cybersecurity, where AI brings significant benefits but also presents new challenges, which in themselves can become considerable risks. Much like other sectors, AI is unlikely to fully replace the human factor in cybersecurity. Rather, it will augment human expertise. The most effective cybersecurity strategies will be those that harness the strengths of both AI and human intelligence, creating a more resilient defense against the constantly evolving threat landscape.

For the insurance industry, the full implications of AI's role in cybersecurity remain to be seen. However, it is clear that AI will increasingly be used to enhance risk assessment and improve resilience through advanced data analysis and modelling.

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