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# The Challenge of Ensuring a Healthy Workforce in an Ageing Society

## Austria and Australia in Comparison

**Austria has a significantly lower employment rate of mature workers than Australia. This is the result of a more generous retirement system and more pronounced discrimination of mature workers rather than a weaker health condition. In spite of a higher rate of work-related accidents in Australia the rate of disabled over non-disabled mature workers is higher in Austria. The Australian labour market for mature workers is more flexible in terms of working hours, hiring rates and employment forms such that older workers may remain longer in the workforce than in Austria.**

The essence of this paper was presented at the 14th IIRA World Conference in Lima, Peru, September 2006. It is the outcome of joint research by WIFO and the University of Melbourne (Biffi – Isaac, 2005). Gudrun Biffi is an economist at WIFO. Joe Isaac is Professorial Fellow at the Department of Management, University of Melbourne. The authors are thankful to Margit Schratzenstaller for useful and constructive comments. • E-mail-address: [Gudrun.Biffi@wifo.ac.at](mailto:Gudrun.Biffi@wifo.ac.at)

Reduced fertility and mortality rates in many countries foreshadow an ageing population, a reduction in the size of the workforce and GDP per capita. These developments are resulting in a growing dependence of retirees on those in the workforce, increasing generational tensions, and government budgetary problems in meeting health and welfare bills. Our comparative paper examines the differences and similarities between Austria and Australia as regards the various issues in connection with an ageing population and their policy implications.

For Australia, it is projected that in 40 years' time the share of those aged 65 and over will double to about 25 percent of the population (OECD, 2005A). In Austria, the share of this age group in 40 years' time will be just as high as in Australia according to the most recent population forecasts<sup>1</sup>.

The demographic old-age dependency ratio (population aged 65 and over to the population aged 20 to 64), which is currently around 25 percent in Austria and Australia (OECD average 22 percent), is expected to rise to around 40 percent to 50 percent, depending on the forecasted scenario (OECD 47 percent) by 2050<sup>2</sup>.

Sen (1992, 1999) was among the first to point out that health is not only a major determinant of individual well-being, but also of economic growth<sup>3</sup>. This is particularly pertinent in an ageing society. However, it is important to note that health is not the only important factor limiting the employability of older workers. Consequently, to ensure that the full potential of improvements in health on the employability of older workers is realised, these other factors need to be considered as well.

**Some salient facts on the labour market participation of older workers**

<sup>1</sup> According to the population forecast of 2003 the proportion was to rise to 30 percent, i.e., about double the proportion of today (OECD, 2005B).

<sup>2</sup> There is considerable uncertainty about future demographic developments, particularly migratory flows. The most recent long-run population forecasts suggest more dynamic longterm immigration to Austria than previously expected (Statistics Austria, 2005, Biffi, 2006). For 2050, the three main variants span from 8.2 million to 9.8 million inhabitants. The three main variants of the Australian population projections of the ABS (2003, cat. no. 3222.0 for 2002-2101) provide a span of population size between 23 million and 31 million for 2050.

<sup>3</sup> Sen points out that health is one of the most important "basic capabilities" of a person, which promotes active participation in the economy and society at large.

In both countries, there is potential for the labour market participation of older workers to be raised in order to reduce the economic dependency rate of an ageing population. Unused labour resources are reflected in the substantial decline in participation of persons aged 45 years and more, but also in the number of inactive older persons who would like to return to employment and in the number of discouraged workers who have dropped out of the workforce as well as in the number of part-time workers who would like more hours of work. The OECD has calculated the potential for raising the labour force participation in terms of the proportion of labour resources that can be mobilised at 43 percent of the 50 to 64 year-olds for Australia and 69 percent for Austria (Table 1).

**Higher proportion of unused labour resources in Austria mainly due to early retirement culture**

Table 1: Mobilisable labour resources in OECD countries

2001

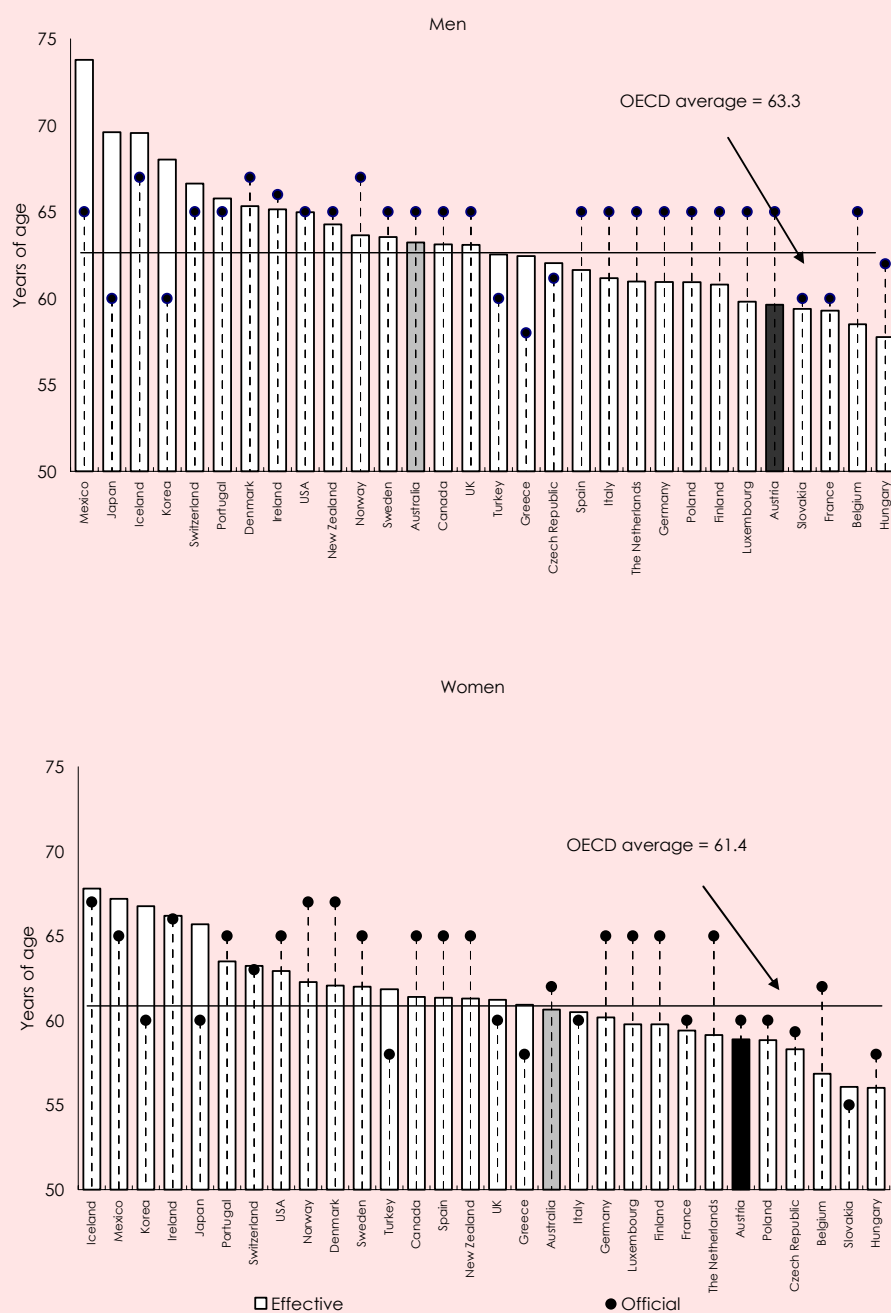
	Mobilisable labour resources	Form of non-employment		Mobilisable labour by age group		
		Excess inactivity	Excess unemployment	15 to 24	25 to 49	50 to 64
As a percentage of total mobilisable labour resources						
Iceland	0.0	0.0	0.0	0.0	0.0	0.0
Norway	2.8	2.8	0.0	0.3	64.5	35.2
Sweden	2.9	2.9	0.0	8.6	53.0	38.4
Switzerland	3.0	3.0	0.0	17.2	55.5	27.2
Denmark	4.4	4.4	0.0	0.9	34.9	64.2
USA	6.6	6.6	0.0	10.1	55.7	34.2
Portugal	6.9	6.9	0.0	7.8	31.0	61.2
Japan	7.0	7.0	0.0	4.2	65.2	30.5
Canada	7.5	6.8	0.7	7.4	42.5	50.1
Finland	7.6	5.8	1.8	10.8	32.5	56.7
UK	8.1	8.1	0.0	10.1	43.0	46.9
Czech Republic	8.9	7.3	1.7	14.5	24.0	61.5
The Netherlands	9.8	9.8	0.0	2.4	32.3	65.4
France	9.9	7.8	2.1	4.4	35.4	60.2
Australia	10.4	10.3	0.2	5.7	50.8	43.4
Ireland	10.6	10.6	0.0	3.0	50.3	46.8
Germany	11.7	10.0	1.7	7.9	27.0	65.1
Austria <sup>1</sup>	12.1	12.1	0.0	8.3	22.7	69.0
Belgium	14.3	14.3	0.1	5.1	29.1	65.8
Luxembourg	14.4	14.4	0.0	0.7	37.3	62.0
Spain	16.6	14.0	2.6	5.7	53.0	41.3
Hungary	17.7	17.7	0.0	9.5	35.7	54.8
Greece	17.8	15.2	2.6	8.2	41.2	50.6
Poland	18.1	10.8	7.3	12.2	43.3	44.5
Slovakia	19.2	9.7	9.5	30.4	31.7	37.9
Mexico	19.8	19.8	0.0	27.1	56.5	16.4
Italy	21.0	19.0	2.1	9.0	42.7	48.4
Turkey	35.1	32.7	2.4	29.5	51.9	18.6
OECD						
Unweighted average	11.6	10.3	1.2	9.3	40.8	46.3
Population-weighted average	12.3	11.3	1.0	15.1	58.8	26.8

Source: Secretariat calculations based on OECD Labour Force Statistics and OECD database on labour market status by educational participation. Mobilisable labour resources is the sum of excess inactivity and excess unemployment, both relative to international benchmarks. Excess inactivity is defined as any excess in the country's inactivity rate as compared with the inactivity rate of the third-best performing countries. Excess unemployment is defined as any excess in the country's unemployment rate above 5 percent of the labour force. Youth enrolled in school were not included in the calculation of excess inactivity or excess unemployment, even if they were classified as inactive or unemployed in the national labour force survey. – <sup>1</sup> Data refer to 2000.

There is evidence of discrimination in the employment of older persons despite legal constraints against discrimination. According to the European Working Conditions Survey 2000 (*European Foundation, 2001*), older workers in Austria report age discrimination more often than in all other EU countries, i.e., 14 percent of older workers compared to 5 percent in the EU (*OECD, 2005B*). In the case of Australia, a Survey by the *Department of Family and Community Services (2001)* indicates a figure at around the EU average.

Figure 1: Average effective age of retirement and statutory age, OECD

1997-2002



Source: OECD estimates derived from the European and national labour force surveys. The average effective age of retirement is derived from the observed decline in participation rates over a five-year period for successive cohorts of workers (by five-year age groups) aged 40 and over.

The main reasons for the 50 to 64 age group being out of the workforce are illness and disability, discouragement from further job search and, particularly for Austria, an "early retirement" culture promoted by accessibility at an age of younger than 60 to an earnings-related pension system offering a high income replacement rate at an early age. As a result, public pension outlays in Austria are among the highest in the OECD, at 14.5 percent of GDP (2005), while Australia is at the lower end of the spectrum with some 3 percent of GDP.

One of the challenges of social policy is to balance social protection while ensuring the incentive for older persons to continue to work. The age pension schemes in the two countries differ markedly. The Australian system aims to alleviate poverty on a

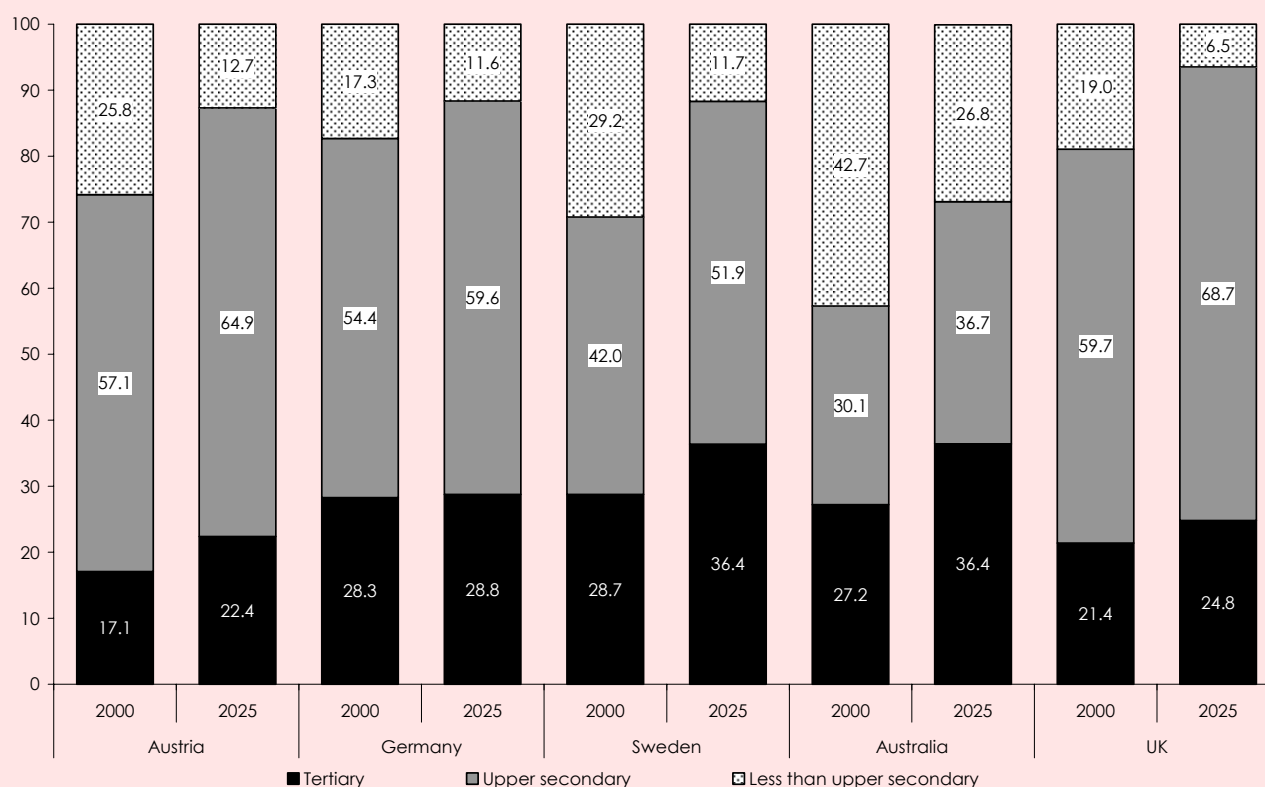
flat rate basis and is subject to an income/assets test. The Austrian system is a contributory scheme and is earnings-related. All contributors are entitled to their pensions under this scheme that may be drawn on some years before the statutory retirement age. The income replacement rate is around 80 percent for men compared to about 32 percent in Australia. But both have employment disincentives: in Australia, the high effective marginal income tax, in Austria, the offsetting of pension benefits against any employment income during the period of early retirement.

Better health can make a distinct difference to the employability and longer participation in the workforce of older workers. Moreover, the prolonged unemployment of older workers also aggravates their health problems (Biffi, 2005). Subjective health measures may be used as an indicator of well-being by age and gender<sup>4</sup>. The percentage of people with self-assessed good or very good health declines with age. In the case of Austria, the figure for 25 to 34 year old men was 94 percent and for women 91.4 percent, while it was 87.6 percent for 35 to 49 year old men (86.5 percent for women); in the 50 to 64 year age group, 63 percent of men and 67 percent of women stated that they were in good or very good health. The figures for Australia are lower than the Austrian for every age group, declining from about 60 percent for the 25 to 34 year olds to just under 50 percent and 40 percent, respectively, for the 45 to 54 and 55 to 64 groups (ABS National Health Survey and European Community Household Panel, 2001).

**Self-assessed health of workforce in Austria better than in Australia due largely to lower degree of social inequality**

Figure 2: Education level of older workers in selected OECD countries

Percentage shares of labour force aged 50 to 64 by level of educational attainment



Source: 2000 data: OECD (2000); 2025 data: OECD estimates based on the data for 2000 and obtained by applying participation rates by educational attainment, gender and five-year age group for the population aged 50 to 64 to the corresponding population.

As with morbidity and mortality rates, the proportion of persons with bad health is highest amongst persons with a low educational attainment level and lowest for persons with tertiary education (Biffi, 2005, European Commission, 2003, ABS, 2001). The magnitude of the group of unskilled workers is proportionately greater in Austria-

<sup>4</sup> Literature shows that self-assessed measures of health are good indicators of health in the sense that they are highly correlated with medically determined health status (Nagi, 1969) and good predictors of mortality and morbidity (Mossey – Shapiro, 1982, McCallum – Shadbolt – Wang, 1994).

lia than in Austria while the reverse applies in the case of the upper-skilled. However, in both countries, future older age cohorts are likely to be more skilled than the present ones (Figure 2), thus creating prospects for higher employment rates of older workers and a higher productivity growth rate in the future.

It is now well accepted that in many countries, good health and longevity are associated with the "social gradient" – the extent of inequality reflected in a number of inter-related factors: the social hierarchy, distribution of incomes, the level of education, skill and occupation (Hartman, 2006, Marmot, 2004, Briggs, 2005). The last 20 years have seen a significant widening of differences in income and wealth in most countries including Australia and Austria. In Australia, the dispersion in pay began to increase with a greater de-regulation of the labour market and decentralisation of wage determination (Saunders, 2005, Healey, 2005). While Austria continues to have one of the lowest dispersions of household income, similar to the Nordic countries and the Netherlands, a widening took place in the 1980s and gained momentum in the 1990s (Biffi, 2003). It is, above all, the wage-income distribution which is widening, a trend not dissimilar to many other countries (Aidt – Tzannatos, 2002).

The Australian labour market for older workers appears to be more flexible than the Austrian one – in terms of the incidence of part-time or casual employment, employment retention rates, age earnings profiles, seniority rights, job protection, and hiring intensity. For Austria, over-time seems to be the main element of flexibility allowing the retention of older workers.

The relatively high incidence of workplace injuries affecting older workers, the greater extent of morbidity among older persons of working age and the large proportion on disability pensions in both countries, indicate the importance of dealing with health and safety issues. They also suggest the need to tailor the nature of work to the capacity of older workers as a means of dealing with the ageing of the workforce.

### Higher work-related accident rate in Australia

Table 2: Inflow into disability benefits by age

1999

	Inflows per 1,000 employees, by age group				Ratio over age group 35 to 44			
	20 to 34	35 to 44	45 to 54	55 to 59	20 to 34	35 to 44	45 to 54	55 to 59
Australia	3.2	5.1	8.6	17.7	0.6	1.0	1.7	3.5
Canada	0.4	1.0	2.4	4.7	0.4	1.0	2.3	4.6
Denmark	1.6	3.1	7.0	11.1	0.5	1.0	2.3	3.6
France	0.2	0.7	1.9	4.7	0.2	1.0	2.8	6.9
Germany	0.6	2.3	6.9	18.5	0.3	1.0	2.9	7.9
The Netherlands	8.3	11.6	15.6	12.0	0.7	1.0	1.3	1.0
Norway	3.3	8.5	18.2	36.9	0.4	1.0	2.1	4.3
Poland	1.6	7.1	18.1	11.7	0.2	1.0	2.5	1.6
Portugal	1.2	2.0	7.7	19.8	0.6	1.0	3.8	9.9
Spain	0.4	1.6	3.6	8.4	0.3	1.0	2.3	5.3
Sweden	1.9	5.0	9.6	19.8	0.4	1.0	1.9	4.0
Switzerland	2.4	4.4	8.5	14.1	0.5	1.0	1.9	3.2
UK	9.7	12.4	17.8	22.3	0.8	1.0	1.4	1.8
USA	2.7	4.5	7.8	13.9	0.6	1.0	1.7	3.1
14 OECD countries	2.7	5.0	9.6	15.4	0.5	1.0	1.9	3.1
Austria								
1980	0.6	1.6	6.8	23.4	0.4	1.0	4.4	15.0
1985	0.6	2.2	10.1	42.2	0.3	1.0	4.6	19.4
1990	0.6	1.9	8.3	37.3	0.3	1.0	4.3	19.4
1995	0.6	1.7	8.5	44.9	0.3	1.0	5.0	26.3
1999	0.7	2.2	9.5	34.9	0.3	1.0	4.2	15.6
2003	0.5	1.4	5.7	23.0	0.4	1.0	4.0	16.3

Source: Adapted from Table 4.9 in OECD (2003). Contributory disability benefit programme only.

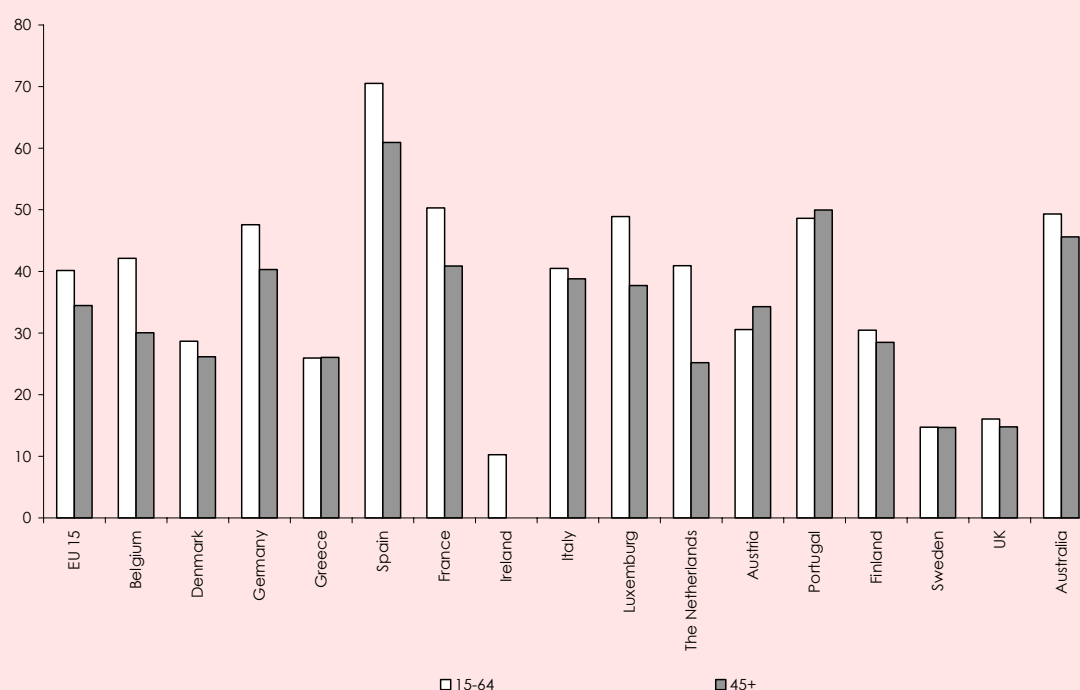
Overall, the rate of work-related accidents involving more than three days absence from work is substantially higher for Australia than Austria. The rate is slightly higher for older than younger persons in Austria while the reverse was true for Australia (Fig-

ure 3). In the case of Austria, this may be because older workers tend to remain in their occupations longer than in Australia, thereby remaining in more accident-prone jobs in the industrial sector. It may also be linked to the lower skill level of older workers and the high proportion employed in manual jobs in Austria compared to Australia (European Commission, 2004). In terms of compensation cases in Australia, there is a substantial increase in the incidence and frequency of cases affecting older workers, especially those over 50 (National Health and Safety Commission, Compendium of Workers' Compensation Statistics, Australia, 2001-02). This suggests that older workers have more serious work accidents than younger ones and/or it takes them longer to recuperate.

The inflow into disability benefits rises with age, particularly in Austria; accordingly, the ratio of employment rates of disabled over non-disabled persons rises with age. For the 55 to 59 age group compared to the 35 to 44 age group, Australia is somewhat above the OECD average of 3.1 : 1, while the ratio is as high as 16 : 1 in Austria (2003; Table 2, also OECD, 2003). The employment rate of prime age disabled persons is higher in Austria than Australia, a result of the legal requirement of employers to offer a certain proportion of jobs to disabled persons. The sharp drop in the employment rate of older disabled workers in Austria may be attributed to the comparatively easy access to disability pensions, i.e., occupation-based assessment (Berufsschutz, alternatives are restricted to a person's learned occupation) rather than a general incapacity to work.

The comparison of Australia and Austria reveals similarities and differences in the employment situation of mature workers. A closer look at the facts and figures indicates that a complex set of inter-related factors have an impact on employability. In this paper we are concerned with the health issues that arise from the work environment. These issues call for concerted action in several areas.

Figure 3: Work accidents with absence of more than three days per 1,000 employees 2000



Source: Eurostat – European statistics on accidents at work (ESAW). For Australia ABS (2006).

The high proportion of workers who are not in the labour force because of disability, illness or injury suggests that the problem is not minor. This calls for greater emphasis on safe and healthy workplaces.

Australian governments at the federal, state and territorial levels as well as employer bodies and trade unions have been conscious of the need for a healthier and less accident-prone work environment. This is manifest in their commitment stated in the National Occupational Health and Safety (OHS) Strategy 2002-2012 (*Commonwealth of Australia, 2002*) to improve health and the safety of workplaces. Similar concerted actions have been taken by the Austrian social partners and the government since the mid 1990s; guidelines for the promotion of health and safety management at the workplace have been adopted by the government in 2004, following the proposals of the ILO and the European Commission. An initiative in Australia, but not in Austria, is to assist disabled workers in their rehabilitation into employment.

The higher accident rate at the workplace and higher share of absences from work because of illness in Australia versus Austria suggests that the former's occupational health and safety arrangements could be improved. In both countries, the principle of "self-regulation" applies and responsibility for implementing the OHS systems rests on the employers subject to the provisions of the relevant laws including the prescribed penalties for breaches of such laws. However, it appears that convictions are few, and fines are small (for Australia see *Creighton – Stewart, 2005*).

In recent years, international acceptance of the concept of Systematic Occupational Health and Safety Management (SOHSM) has grown, which essentially involves the following: "management planning and allocated responsibilities; employee consultation; and specific programme elements (including the specification of rules and procedures, training, inspection, incident reporting and investigation, hazard identification and prevention, data analysis and system monitoring and evaluation" (*Gallagher – Underhill – Rimmer, 2003*). This is a demanding concept, calling for a high level of management commitment to the procedural requirements and acceptance of formal employee participation in OHS committees. But self-regulation does not work effectively unless backed by significant deterrence<sup>5</sup> and an active monitoring system.

In Australia, the inspectorate is under-resourced and the implementation of the SOHSM concept is neither widespread nor rigorous (*Saksvic – Quinlan, 2003*). This is particularly true for small firms which make up the vast majority of enterprises, where a large proportion of contingent workers are employed – casuals, part-timers, contractors and agency (labour hire) employees – often mature workers. OHS has emerged as a problem particularly for agency workers who tend to be more accident prone (*Underhill, 2002*). The labour hire company, in its function as employer, is responsible for any action following injury. Despite the dangers to which they may be exposed, labour hire workers are excluded from the OHS consultative process and tend to be dropped from the labour hire companies after an accident instead of being rehabilitated.

The Austrian legal framework is similar to the Australian; according to the Austrian Workers' Protection Law of 1994 (amended 2001), enterprises with more than 50 employees are obligated to provide a specified minimum number of consulting services at the premises of the business for every employee by an occupational health doctor. Small enterprises, i.e., the majority of employers in Austria, may obtain OHS checks free of charge. In general, the Austrian authorities stress preventive screening programmes to raise the health status of people at all ages, and thus their employability<sup>6</sup>. There is little research into the extent and impact of these occupational

<sup>5</sup> The Australian Capital Territory was the first (2003) to provide for a finding of manslaughter in the event of death resulting from lack of care by the employer. Under more recent New South Wales legislation, an employer found to have been reckless in the case of a workplace death, faces up to five years goal as well as a hefty fine.

<sup>6</sup> On average, about 13 percent of the adult population undertake a preventive health check (figure for 2002), 17 percent of the 50 to 64 year-olds. It would seem that thus far there is either limited public awareness of the availability free of charge of annual preventive health checks to every person from 19 onwards, or

## Policy implications

### Safe and healthy workplaces

health and safety controls by firm size, but indications are that occupational health problems are underestimated in the official statistics<sup>7</sup>.

In Austria, as far as OHS measures are concerned, the focus is on the work environment rather than the enhancement of the workers' personal resources (physical, mental and psycho-cognitive coping ability). Health monitoring of the workplace is not obligatory<sup>8</sup>. Obviously, OHS measures are an essential part of coping at work, but personal capabilities are equally important. Weak work performance may be the result of excessive physical, mental or psychological stress, conflicting combinations of job demands and control, or simply bad management and work organisation (Gospel, 2003). Currently in Austria, workers receive compensation for unhealthy working conditions, often in the form of a bonus or benefit. Such benefits may entice particularly young and healthy workers into such jobs, thereby jeopardising their health over the long run, but reaping higher earnings in the short run.

The evidence referred to above reveals the interrelatedness of skills and level of education, the low dropout rate from work before 65, and the health of older workers. Although the lack of education and training is a legacy of the past, it shows the need for present cohorts of older persons to be provided with training programs in the light of structural adjustments and new technologies, thus reducing demand for certain skills and raising the need to update existing skills. The lower participation of older workers in work-related training underlines the importance of this point.

The training and re-training needs, particularly of prime age and mature-age workers, raise the issue of lifelong learning and the institutional arrangements for such a scheme. In Australia, the adjustment of the educational and training structure has been on the political agenda at least since 1992<sup>9</sup>, with primary emphasis on training and re-training in order to develop skills and promote employability and competitiveness. There is also emphasis on the needs of older workers and the opportunity for re-training.

In Austria, after entering the EU in 1995, significant steps were taken towards improving the educational attainment level of adults. In 2002<sup>10</sup>, a coordination team focusing on lifelong learning (LLL) was established in the Ministry of Education, Science and the Arts, as well as a network of researchers sponsored and coordinated by the Public Employment Service. As the spectrum of further adult education is wide, and as the institutions involved are diverse, the data is inconsistent and fragmented. Therefore, little is known about the extent and outcome of further education of adults, in particular the impact on the employability of older workers (OECD, 2005B).

Evidence suggests that there are barriers to further education and training on the part of employers and on the part of older workers. An OECD survey of perceived barriers in job or career-related continuing education and training among adults shows that for nearly all the countries surveyed, situational barriers (too busy/lack of time, family responsibilities, etc.) made up about three-quarters of the reasons for non-participation. And for most of the countries, financial barriers accounted for about 20 percent of the reasons (OECD, 2000, Table C 7.7).

The proportion of persons on disability benefits in employment is comparatively low in both countries – about 10 percent in Australia, most of the rest being inactive, and 13 percent in Austria, compared to 33 percent for the OECD average and Sweden at 65 percent (OECD, 2003, Figure 3.7). This suggests either that employment oppor-

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## Education and training

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## Social protection and employment incentives to disabled persons

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there is no appreciation by the public that the use of these facilities may significantly improve their health in the long run.

<sup>7</sup> According to Medical Tribune 50/2004, controls of OHS measures are limited in SMEs, and systematic health controls of occupational health problems by the general practitioners hardly occur.

<sup>8</sup> Since the mid-1990s, an increasing number of private enterprises and public sector services is implementing age management programmes with the help of external experts, including health monitoring, i.e., an assessment of the health impact of work on individuals and teams in their various departments and tasks (OECD, 2005B).

<sup>9</sup> The Department of Education, Science and Training has taken over the functions of the Australian National Training Authority in July 2005 (Australian Government, 2005).

<sup>10</sup> On the Austrian Lifelong Learning Report see CEDEFOP (2002), Schneeberger (2001), Schneeberger – Schlögl (2004).



tunities for disabled persons are few, or that the work-tests in the two countries are not sufficiently stringent or that subsidised or sheltered work for the disabled is less common.

The question of how to balance adequate income support for those in need of it, while ensuring an adequate work incentive becomes even more important in an ageing society where the number of claimants for income support may be expected to rise. Both countries, Australia and Austria, face a problem in relation to their disability pension schemes, which, because of their differential benefits in favour of disability benefits, has tended to encourage a movement from unemployment to disability benefits. While there may be a good case on the grounds of needs for such a differential, it calls for a closer examination of the basis on which disability benefits are granted. This point has even greater force for Austria where disability is narrowly defined. The *OECD (2003)* has argued that the term "disabled" should not be equated to "unable to work", and that the medical condition and resulting work capacity of claimants should be re-assessed periodically. Further, a "culture of mutual obligations" should be introduced, requiring claimants to participate in rehabilitation and training programmes, search activity and some form of employment – regular, part-time, subsidised or sheltered. Whether or not productivity is impaired by what may be regarded as humanitarian welfare-oriented policy deserves further investigation.

Our account of the various issues relating to the ageing workforce – deployment and training, occupational health and safety, flexibility elements – have implications for human resource management and industrial relations. With a shortage of labour becoming more evident, employers may be expected to become more conscious and active in recruiting and retaining older workers and in recognising the need for special consideration to their health and safety requirements<sup>11</sup>. While governments, employer associations and unions have been vocal about the ageing problem, it is not clear that the implications of an ageing workforce have filtered down to many employers. Age discrimination is still widespread in the recruitment, retention and training policies of employers, and the relatively higher incidence of accidents and sickness call for more appropriate OHS arrangements at the workplace. Various other factors have a bearing on the health and productivity of older workers to which management should become sensitised. These include the following.

- There is Australian evidence of stressful working conditions arising from work intensification devices, including job enlargement accompanied by understaffing, speeding up of work, reduction of idle time, increased use of results-based payment systems and extension of the working day (*Watson et al., 2003*). While the data are not classified in age terms it may be assumed that older workers are involved in such working arrangements and this may partly explain the high drop-out rate from the workforce.
- Analyses of EU countries corroborate the findings for Australia. New forms of work organisation and flexible employment (*Benavides et al., 2000, Benach – Gimeno – Benavides, 2002*) have a negative impact on health. As more and more mature workers move into a more flexible employment environment, particularly after exiting from their original career jobs, their working conditions have a tendency to deteriorate.
- Training of older workers tends to be hindered by age discrimination. A variety of Australian case studies suggest that while there are considerable individual variations in the performance of older workers, the popular view concerning the incapacity or lower capacity of older workers are not well founded (*Pickersgill*

<sup>11</sup> The Australian Public Service has set in motion changes in its recruitment, employment, training and retention of older worker, including flex-time and a varying span of hours, variable part-time work, job sharing, tele-commuting and phased retirement and changing job roles (*Australian Public Service Commission, 2003*). A Canadian study proposes "flexible" retirement to meet the preferences of older workers (*Agarwal – DeGroot, 1998*).

### Implications for human resource management and industrial relations

*et al.*, 1996). Studies with similar outcomes have been undertaken in Austria (*Enzenhofer et al.*, 2004).

- While labour market flexibility is inherently neither good nor bad, it has to be judged in relation to its effects on employer profitability, workers' security and the health and employment of older workers. Insofar as flexibility applies to work and training practices designed to encourage the employment of older workers, it is commendable. However, there are certain negative features of flexibility associated with part-time, casual and other forms of contingent employment. Furthermore, the prevailing tendency, especially in Australia, to employ part-time and contingent labour is inconsistent with the requirements of lifelong learning. While lifelong learning calls for employee commitment to the enterprise, it also requires employer commitment to the income and career security of the employees.
- While there are disadvantages to the less flexible Austrian labour market, in particular the inflexibility created by the Austrian seniority system, it does provide greater inducement for employer training than the more flexible Australian system. Thus, certain elements of flexibility may work in favour and others against the employment and employability of older workers.
- We have noted evidence that the greater the inequalities in pay and self-determination at the workplace, the greater the risk to health of those at the bottom of the hierarchy. In such a context, the increased dispersion in pay in Australia, and to a lesser extent also in Austria, is likely to be adverse on the health of workers, especially older ones at the lower end of the pay scale and we may well anticipate health deterioration and the continued drop-out of older workers from the workforce.
- In Austria, an increasing number of enterprises are running into scarcities of specific skills, which has generated a turnaround of management in their judgement of older workers' work capacities. In these instances, management is addressing the weaknesses of older workers, by implementing age management. This entails the establishment of an age-balanced workforce, age-appropriate job design, preventive occupational health measures, implementation of life-long learning and broad-banding of skills, promoting intergenerational knowledge transfer and systematic integration of older workers into innovation processes.

Industrial relations based on unions and collective bargaining operate differently in the two countries. In Australia, industrial tribunals have played a diminishing role in determining the terms of employment while union power has been reduced considerably and individual bargaining has been encouraged at the expense of collective bargaining, resulting in widening of pay differences with implications for the health of those at the bottom end (*Marmot*, 2004). This has strengthened the role played by employers and given them the power to force workers to trade-off working conditions and to intensify work for higher pay (*Briggs*, 2005, *Isaac*, 2007). As noted above, employers are responsible for ensuring OHS, but without unions having a say in such matters, there is the risk of OHS playing a secondary role in the determination of conditions at the workplace (*Heiler*, 1996). Thus, the burden of dealing with the requirements of a positive policy to ensure a healthy and safe workplace, and engage a higher proportion of older workers in training and employment will fall entirely on the management except where union power still prevails.

This contrasts with the situation in Austria where the social partnership concept still applies and where the social partners rather than government have increasingly established themselves as the national platform for matters relating to the employment of an ageing workforce. They have established a website (<http://www.arbeitundalter.at/>) which functions as a knowledge databank on issues of health and work, providing information and links to private and public expert institutions for help and advice. Thereby they hope to promote the productivity of an ageing workforce. Furthermore, at the workplace level, worker participation either directly or via

union representatives in the form of works councils is an important element in ensuring a healthy work environment<sup>12</sup>.

It is obvious that appropriate macro-demand management by the government is a necessary condition for ensuring that the employable labour generated by various micro-economic measures discussed above will result in actual employment. To activate the extra labour without a sufficient number of job openings would frustrate the objective of increasing the employability of older workers. Apart from macro-policies, active policies to ensure safe and healthy workplaces for older workers are required.

We have referred to the need to reverse the tendency for increased inequality of pay and we have noted the importance of a flatter social gradient resulting from greater income equality (associated with greater equality in educational achievements and skills) to health and longevity. Such an outcome is within the power of governments and collective bargaining institutions. In Australia, this requires a return to a labour market more oriented on collective bargaining with fewer restrictions on union power to make collective bargaining meaningful, together with the restoration of the authority of industrial tribunals in determining the safety net in pay and conditions for those unable to bargain effectively. In Austria, the task for public policy is more on developing a comprehensive system of continuing learning and promoting the employability of mature workers.

We have also referred to the existence of age discrimination in employment and training. In Australia as well as Austria, an Age Discrimination Act was enacted in 2004 prohibiting age discrimination and thereby providing enforceable remedies against it. In Australia, the onus is on the complainant to prove that the "dominant" reason for the alleged discrimination is age (Goward, 2005). In contrast, in Austria, both the employee's and the employer's case has to be heard before the court, which makes equal treatment cases rather lengthy procedures. It is arguable that in the interest of the individual, the onus of proof of age discrimination should lie with the employer. While this may be a valid option in the decentralised and individualised industrial relations situation of Australia, it would be against the tradition of Austrian corporatism and does not, therefore, find the backing of the social partners.

Another public policy issue relates to pension schemes. Our review of the various support schemes in the two countries suggests that the Austrian pension scheme may partly explain the lower actual retirement age and the larger proportion of older inactive persons<sup>13</sup>. The most obvious move would be to raise the age for accessibility – this is the course followed by the Australian Superannuation Guarantee scheme, which has been in operation for less than 20 years. In contrast, in Austria, because of an over-supply of labour at the lower and medium skill level, which is expected to persist at least until 2015, the unions continue to be reluctant to support the closure of early exit routes for older workers. The unions stress that unemployment and early exit of older workers is at least partly the result of a lack of demand for workers at the lower end of the skill segments in which older workers tend to be over-represented.

Austria enacted a pension reform in 2005, which introduced incentives to prolong employment by allowing the combination of old age pension with paid work without means testing. In addition, the replacement rate has been reduced, by phasing out the current practice of assessment of benefits on the basis of the 15 best years, as far as wage levels are concerned, by 2028, and taking the income (and contributions) of 40 years of work as a base.

It is apparent from the above that both governments have not only been conscious of the need to raise labour force participation and employment of older workers, but they have also been active in pursuing this objective in a variety of ways. If fur-

<sup>12</sup> Works councils may act on behalf of the employees as OHS ombudsman in enterprises with more than 50 employees.

<sup>13</sup> *Blöndal – Scarpetta* (1999) have provided evidence that a generous welfare system reduces labour force participation of older workers.

## Implications for public policy

ther action is taken in line with our observations, the outlook for the standard of living in both countries is not as gloomy as may appear at first glance. The smaller size of families will allow income per capita to be sustained at a higher level than might be the case for larger families (Guest – McDonald, 2002). Moreover, with more skilled cohorts moving into the older age group, the outlook for productivity growth is also positive.

The comparison of Austria and Australia indicates that different models of socio-economic organisation, in particular, different industrial relations systems, result in different priorities as countries strive to preserve the internal consistency of their national socio-economic institutional framework. Australia follows the Anglo-Saxon "market" model, which is increasingly based on individualisation and union exclusion, while Austria continues to have strong corporatist institutions, which are trusted to serve the best interests of society. The functional mechanism of decision-making differs as a result of the different set of institutions and the outcome of the decision-making processes may differ as a result of different motivational forces guiding institutions and socio-economic actors. While Australia has tended to be more concerned with creating an economic environment that promotes economic growth, Austria has been more concerned with preserving social cohesion. This has involved reducing the supply of older workers through early retirement in the wake of industrial restructuring, which resulted in an increasing, unsustainable financial burden on the active workforce. The test is whether the corporatist model with its concern for social cohesion will be able to deal effectively with the ageing problem, or whether something like the Anglo-Saxon market-driven model relying substantially on management prerogatives and initiatives will prove to be a more appropriate approach to the economic and social problems of an ageing society.

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## Conclusions

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## *The Challenge of Ensuring a Healthy Workforce in an Ageing Society*

### *Austria and Australia in Comparison – Summary*

In Austria the proportion of the population aged over 65 years is currently somewhat higher than in Australia (16 percent versus 13 percent) and is expected to converge in 40 years' time to 25 percent in both countries. The policy challenge of reducing the economic cost of ageing is, however, significantly greater in Austria due to the low employment rate of mature persons. The main reasons for the 50 to 64 years age group being out of the workforce are illness or disability, discouragement from further job search and, particularly for Austria, an "early retirement" culture promoted by an accessibility at the age of less than 60 years to an earnings-related pension system offering a high income replacement rate at an early age. As a result, public pension outlays in Austria are among the highest in the OECD, at 14.5 percent of GDP (2005), while Australia is at the lower end of the spectrum with some 3 percent of GDP.

The relatively high incidence of workplace injuries, the greater extent of morbidity among older persons of working age and the large proportion on disability pensions in both countries, indicate the importance of dealing with health and safety issues. They also suggest the need to tailor the nature of work to the capacity of older workers as a counter to the ageing of the workforce.

In Austria and Australia, there is evidence of a rise of stressful working conditions from work intensification, new forms of work organisation and flexible employment. All of them have a negative impact on health, particularly for mature workers. While labour market flexibility is inherently neither good nor bad, it has to be judged in relation to its effects on employer profitability, workers' security and the health and employment of older workers.