

WIFO

ÖSTERREICHISCHES INSTITUT
FÜR WIRTSCHAFTSFORSCHUNG

 **WORKING PAPERS**

Sustaining Employment of Older Workers in an Ageing Society

Gudrun Biffl, Joseph E. Isaac

Sustaining Employment of Older Workers in an Ageing Society

Gudrun Biffl, Joseph E. Isaac

WIFO Working Papers, No. 256
August 2005

Paper presented at the Australian Centre for Research in Employment and Work (ACREW) Inaugural Conference on Shifting the Boundaries of Employment and Work, Melbourne, June 24 to 25, 2005.

Sustaining Employment of Older Workers in an Ageing Society

Gudrun Biffl, Austrian Institute of Economic Research and The Melbourne Institute of Applied Economic and Social Research *

Joe Isaac, Department of Management, University of Melbourne

Abstract

A challenge facing countries with an ageing population is how to retain a larger proportion of older workers in the work force while at the same time maintaining productivity growth – the latter being a necessary condition for economic sustainability of globalised economies. Apart from conventional prejudice about the ability of older workers, a low employment rate of older workers is the result of a number of socio-economic and institutional factors, some bearing on incentives, others on skill requirements. Health issues also feature in excluding older workers from the workforce prematurely. Appropriate government, management and other institutional initiatives are called for to sustain productive employment in an ageing society.

The paper deals with the relevant issues in the context of statistical data featuring labour market participation, employment characteristics, employer practices, education and training and health matters, all mainly focussed on older workers. These issues are analysed in a comparative study of Austria and Australia. Both countries face global competition as well as an ageing population. However, their institutional settings differ. Further, while in Austria the ethos of social partnership is well entrenched, in Australia managerial prerogatives have strengthened in the context of greatly weakened unionism. The paper identifies similarities and differences in the experiences of the two countries. These raise questions about appropriate initiatives to deal with the specific problems of an ageing workforce in the two countries.

* This paper has been written in the Melbourne Institute of Applied Economic and Social Research, University of Melbourne; I gratefully acknowledge the support I received as a visiting fellow on the occasion of my study leave from WIFO. We gratefully acknowledge helpful comments by Catherine Maguire and Christopher Prinz.

Introduction

For many countries, the ageing of their population brought about by the concurrence of reduced fertility and mortality rates, foretell the potential reduction of the workforce, decline in GDP per capita, growing dependency of the old on those in the workforce, increasing generational tensions, and government budgetary problems to meet health and welfare bills. Our paper limits our examination of particular issues arising from an ageing population to Austria and Australia, although references to other countries will also be made occasionally. By older or mature workers, we generally imply those in the 45-64 age-group in the case of Australia as this complies with the definition used by the Australian Bureau of Statistics; in the case of Austria and, depending on data availability, also Australia, most statistical sources take the 50-64 age-group as covering older workers, the practice of the OECD in its series on Ageing and Employment Policies¹. We use the terms 'older workers' and 'mature workers' interchangeably.

For Australia, it is projected that in 40 years time, 25 percent of the population will be 65 and over, compared to 12.8 percent in 2003 (*Productivity Commission, 2005: xii*). For Austria, the share in 40-year's time will be even higher with 30 percent of the population, compared to 16 percent in 2003. The policy challenge of coping with an ageing society is thus greater in Austria, not only because of a faster ageing process but also because ageing is combined with a long-term stagnation of the population size at around 8 million. In contrast, Australia will continue to see population growth in the next four to five decades. The Australian population is projected to grow from currently 20.1 million to some 26 million by 2050².

A broad indicator of the rising economic burden older people place on the working population is the demographic old-age dependency ratio (population aged 65 and over to the population aged 20 to 64). Currently, this ratio is around 25 percent in Austria and 20 percent in Australia, compared to 22 percent in the OECD average; in the case of Australia, the rise in the ratio is expected to be somewhat greater than in the OECD average, namely, to 50 percent in 2050 compared to 47 percent in the OECD average; Austria is expected to have an equally steep rise as Australia, but starting at a higher level, reaching 55 percent by 2050 (+30 percentage points).

However, the *demographic* dependency ratio does not provide a realistic picture of the *economic* dependency rate. The true economic rate of dependence needs to take into account to what extent people are available for gainful employment, and to what extent

¹ The OECD is publishing some 20 OECD country reports as part of a thematic older worker review developed by Raymond Torres. The publications on Austria and Australia are forthcoming in 2005.

² The Australian population projections of the ABS (2003, cat. no. 3222.0 for 2002-2101) differ according to the assumptions about future trends in fertility, mortality and net migration. For 2050, the three main variants provide a span of population size between 23 million and 31 million.

the employment rate changes by age and gender over time. Apart from those actually engaged in paid employment, a large proportion of the population of working age includes those who are unemployed, in training schemes, in households performing unpaid work, ill and/or disabled, or in early retirement. Moreover, training schemes expand, both in response to demand but also as a means of mopping up unemployment.

Currently, the employment rate of the 15-64 year olds stands at 68 percent in Austria, similar to Australia. There are, however, significant differences in the participation and employment rates by age and gender between the two countries. Austria is amongst the OECD countries with the lowest employment rates of older workers. With a current employment rate of the 55-64 year olds of some 29 percent, it will not be possible for Austria to reach the EU-policy target of 50 percent by 2010, a level realised by Australia today. On the other hand, the employment rate of prime age men and women is higher in Austria than in Australia.

Predictions about the social and economic consequences of demographic statistics need to be qualified by the prospects of increasing the employment rates of workers in general, in addition to those of older workers. The effects of ageing are not just a mechanical demographic process, a biological phenomenon, but also a socio-economic phenomenon. Depending on the socio-economic ramifications, which are amenable to change by institutional and policy reform, labour force participation by age and gender will change, as well as the structure of labour demand by industry, occupation, skill and working hours.

Thus, the extent to which the **demographic** burden will translate into an **economic** burden will depend on the future development of the labour force participation of the population of working age, the unemployment rate, wage and productivity developments as well as the welfare system. Rising public pension outlays will only be one element of cost increases of ageing, another will be rising costs of health and care. Currently, public pension outlays in Austria are among the highest in the OECD, with 14.5 percent of GDP, while Australia is at the lower end of the spectrum with some 3 percent of GDP. In contrast, public expenditure on health care is equally high in Austria and Australia amounting to some 6 percent of GDP. (OECD, 2003A).

The reduction in fertility and the consequential reduction in the size of families and juvenile dependency, means that standards of living need not fall (Guest and McDonald, 2002). Further, apart from being slow, market forces may be expected to respond to the labour shortage by raising wages and providing other incentives to later retirement from the workforce.

However, against these positive prospects, a number of counter-qualifications should be noted. The degree of responsiveness of older workers and the extent of the financial inducements are difficult to predict. It may well be that a wage inflationary process may be generated, cutting short employment growth. Going by past experience, future generations may not be satisfied with a stable living standard and expect it to be rising progressively.

Further, improvements in life expectancy will prolong the period of dependency of older persons and add to their dependency on those at work.

Thus, the prospect of a slow-down in labour supply growth and a rising proportion of the population out of the labour force, mainly older persons, may call for the implementation of macro-economic policy designed to raise economic growth by raising productivity, in order to ensure a continued rise in living standards. In addition, micro-economic reforms have to be put in place, to ensure the retention and re-employment of older workers. Ageing of the work force implies that workforce planning, recruitment, training, remuneration, performance measurement, equal opportunities, to name some aspects of human resource management, will need to become more cognisant of the problems of settling the different age groups into jobs.

Moreover, although the problems ahead should not be exaggerated, there is a case for considering institutional intervention in advance of the probable outcomes of an ageing population. Such intervention would deal with certain critical elements – for our purposes, education and training, health, employer practices – that could offset the negative social and economic consequences of ageing. In order to identify the particular issues calling for treatment, especially health and education which are the focus of this paper, it is necessary first to look briefly at the present demographic and workforce picture.

Although improvement in productivity growth would also be an important factor in relieving the economic burden of ageing, our paper deals mainly with those measures which are conducive to raising the participation and employment rates of older workers. However, some of these measures may indirectly result in improved productivity growth.

The statistical picture

Labour force participation

It will be evident from Figure 1 that Austria has a polarised activity rate by age, while Australia has a more intermediate position in international comparison. In both countries, however, labour force participation drops off sharply for the over 50 age group, in Austria more so than in Australia. In Austria, the decline in labour force participation with age is one of the largest in the OECD. In consequence, the potential as well as the challenge for policy to raise the activity rate of older workers is larger in Austria than in Australia.

For Austria, the male 25-49 group participation rate is 95 percent compared to 90 percent in Australia, while the female rate for Austria is 81 percent compared to 71 percent in Australia. The gap between the prime age and the mature age groups differ markedly in these two countries. In Austria, for men, it amounts to a drop to 60 percent of the former level compared to 80 percent in Australia. For women, the fall is to 46 percent in the case of

Austria and 70 percent in Australia. The larger margin of fall is greater for Austria in the case of the 65-74 group. These figures suggest a greater opportunity for Austria to draw on its older persons, particularly women, to increase labour force participation.

This is confirmed by Table 1, which shows, on OECD calculations, the potential for the unemployed and inactive population in the two countries to be drawn into the workforce. The potential exists for all age groups but for the 50-64 group, it is 69 percent for Austria and 43 percent for Australia. In both countries, excess inactivity is the main factor behind this potential.

Table 1: Mobilisable labour resources in OECD countries, 2001^a

	Mobilisable labour resources	Form of non-employment		Mobilisable labour by age group as a percentage of total mobilisable labour resources		
		Excess inactivity	Excess unemployment	15-24	25-49	50-64
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
United States	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
United Kingdom	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
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^b	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
Slovak Republic	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
<i>OECD^c</i>	<i>11,6</i>	<i>10,3</i>	<i>1,2</i>	<i>9,3</i>	<i>40,8</i>	<i>46,3</i>
<i>OECD^d</i>	<i>12,3</i>	<i>11,3</i>	<i>1,0</i>	<i>15,1</i>	<i>58,8</i>	<i>26,8</i>

Source: Secretariat calculations based on OECD Labour Force Statistics and OECD database on labour market status by educational participation. – ^a) 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 country. – ^b) Data for Austria refer to 2000. – ^c) Unweighted average for the 28 countries shown above. – ^d) Population-weighted average for the 28 countries shown above.

The retirement intentions of persons in the workforce is interesting. The recent Australian HILDA Survey shows that 77 percent respondents over 45 expect to be retired by the age of 65 ;

while 81 percent would like to retire earlier than 65 if they could afford to do so (quoted in *Goward, 2005*).

The importance of the inactivity factor is also shown in Table 2 for Australia. Both inactive men and women in all age groups have expressed a desire to work – for the 25-49 group 32 percent, for the 50-54 group nearly 18 percent, for the 55-59 group almost 10 percent, and for the 60-64 group also nearly 10 percent. The major single reason for inactivity of men of any age group is the poor state of health (illness or disability); in the case of women of main working age it is childcare, for older women it is a poor health status, followed by discouragement. There are also interesting figures here related to perceived employer discrimination to which reference will be made later.

A somewhat different picture can be painted for Austria (Table 3). In 2001, the proportion of 25-49 year old women out of labour force because of family responsibilities is similar to the OECD average, while being significantly lower than in Australia. Illness or disability which leads to labour market inactivity, on the other hand, is less important for Austria for all age groups than the OECD average.

Table 2: Share of inactive people who want to work but not actively looking for work by age and gender in Australia, 2003

Percentages of inactive persons

	25-49			50-54			55-59			60-64		
	Men	Woman	Total	Men	Woman	Total	Men	Woman	Total	Men	Woman	Total
Own illness/disability	29,9	6,8	11,6	28,0	20,2	22,7	29,9	15,0	21,1	30,4	23,5	27,3
Considered too old/ young by employers	1,0	0,8	0,8	5,9	7,2	6,7	11,8	21,3	17,4	23,3	39,8	30,7
Discouraged	6,5	6,8	6,7	6,3	19,2	15,0	6,4	11,0	9,1	5,7	5,2	5,5
Childcare	11,0	44,4	37,4	2,7	1,9	2,2		0,8	0,4	0,9		0,5
Other reasons	51,7	41,3	43,4	57,1	51,5	53,4	51,9	51,9	51,9	39,7	31,6	36,0
Total	100,0	100,0	100,0	100,0	100,0	100,0	100,0	100,0	100,0	100,0	100,0	100,0
Share of inactive who want to work	27,4	33,4	32,0	18,5	17,1	17,6	11,5	8,9	9,9	10,6	6,0	6,7

Source: Australian Bureau of Statistics, persons not in the Labour Force Survey.

The data implies that in the case of Austria, a re-examination of early exit routes from the labour market has to be at the forefront of policies aimed at raising the activity rate of older persons. To raise the activity rate of prime age persons, policies directed towards facilitating the combination of family work and paid work have to be in the list of objectives in raising the employment rate especially of women. While the potential rise in the employment rate of prime age women is smaller in Austria, nonetheless there is also room for improvement in this age group.

Table 3: Labour market status by gender and age, Austria and OECD, 2001

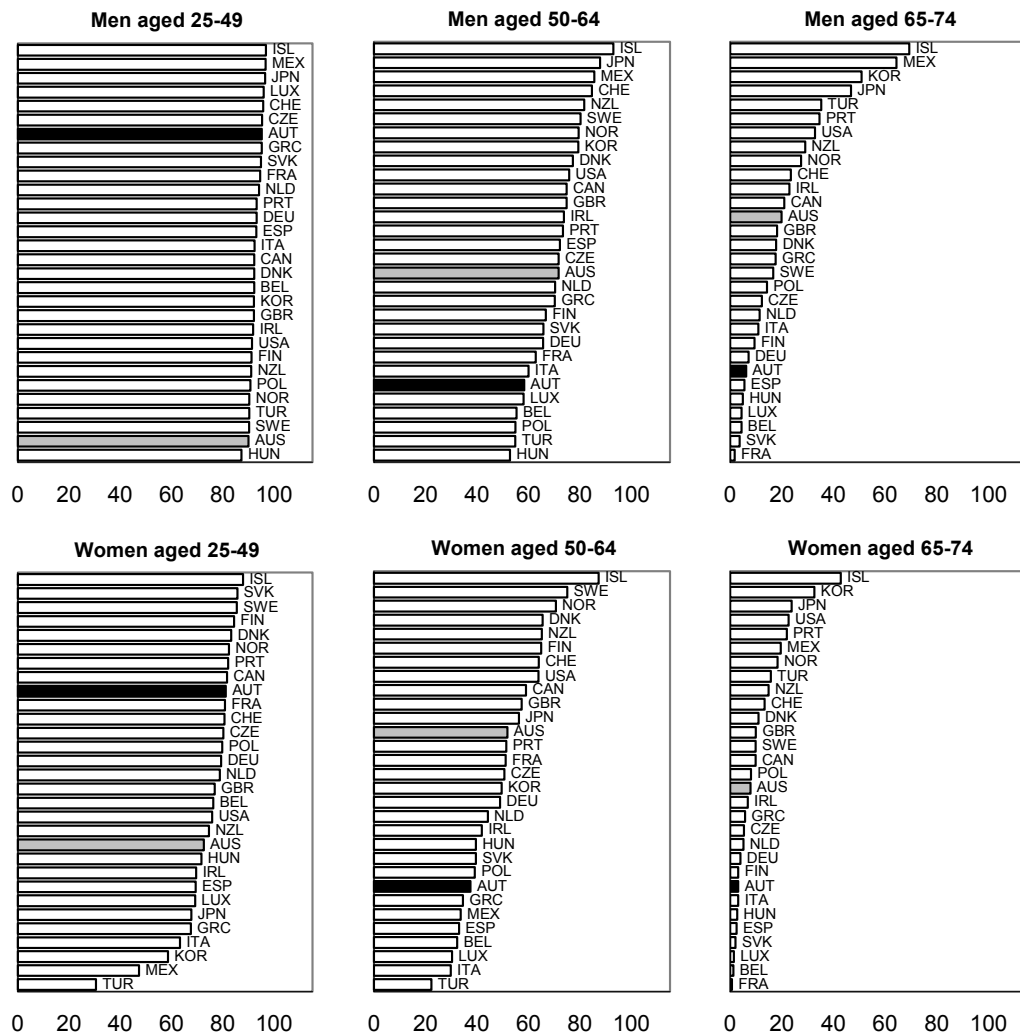
	25-49			50-64			50-54			55-59			60-64		
	Men	Women	Total	Men	Women	Total	Men	Women	Total	Men	Women	Total	Men	Women	Total
Austria															
Actives	94,5	78,9	86,7	57,4	34,3	45,8	87,2	65,0	76,1	62,1	27,9	45,0	16,7	8,2	12,5
Employed	91,3	76,0	83,7	54,7	32,5	43,6	84,0	61,7	72,9	58,5	26,2	42,4	15,7	8,1	11,9
Unemployed	3,2	2,9	3,1	2,7	1,8	2,3	3,2	3,3	3,3	3,6	1,7	2,7	1,0	0,1	0,6
Inactives	5,5	21,1	13,3	42,6	65,7	54,2	12,8	35,0	23,9	37,9	72,1	55,0	83,3	91,8	87,6
Discouraged	0,1	0,4	0,3	0,1	1,1	0,6	0,1	1,5	0,8	0,2	1,4	0,8	0,2	0,4	0,3
Retired	..	..	..	38,9	42,8	40,9	7,9	8,7	8,3	33,6	47,1	40,4	81,6	76,2	78,9
Illness or disability	1,0	1,0	1,0	2,2	1,9	2,1	2,9	2,3	2,6	2,4	1,7	2,1	1,0	1,6	1,3
Family responsibili	0,1	16,0	8,1	0,4	18,5	9,5	0,3	20,9	10,6	0,6	21,0	10,8	0,2	13,2	6,7
Other	4,3	3,7	4,0	1,0	1,4	1,2	1,6	1,6	1,6	1,1	0,9	1,0	0,3	0,4	0,3
Total	100,0	100,0	100,0	100,0	100,0	100,0	100,0	100,0	100,0	100,0	100,0	100,0	100,0	100,0	100,0
OECD^a															
Actives	92,7	76,9	84,8	68,1	47,3	57,7	87,3	68,5	77,8	72,7	48,7	60,4	42,8	28,5	35,4
Employed	87,8	71,4	79,6	64,9	45,1	55,0	84,1	65,5	74,7	69,7	47,1	58,1	41,7	28,0	34,6
Unemployed	4,9	5,5	5,2	3,2	2,2	2,7	3,2	3,0	3,1	3,0	1,6	2,2	1,0	0,5	0,8
Inactives	7,3	23,1	15,2	31,9	52,7	42,3	12,7	31,5	22,2	27,3	51,3	39,6	57,2	71,5	64,6
Discouraged	0,3	0,5	0,4	0,7	1,0	0,9	0,6	1,1	0,8	1,0	1,3	1,2	0,8	0,6	0,7
Retired	..	..	..	18,6	22,1	20,3	3,5	3,6	3,6	13,8	18,1	16,2	44,2	40,1	42,2
Illness or disability	2,8	2,9	2,9	9,0	9,0	9,0	6,3	7,2	6,8	9,5	8,7	9,1	10,0	8,7	9,3
Family responsibili	0,3	14,6	7,4	0,4	17,9	9,2	0,3	15,9	8,1	0,3	18,8	9,7	0,3	17,9	9,4
Other	3,9	5,1	4,5	3,2	2,7	3,0	2,1	3,7	2,9	2,6	4,4	3,5	1,9	4,1	3,1
Total	100,0	100,0	100,0	100,0	100,0	100,0	100,0	100,0	100,0	100,0	100,0	100,0	100,0	100,0	100,0

Source: Labour Force Survey. – ^a) The OECD average excludes data from Australia, Canada, Japan, Korea, Mexico, New Zealand and Turkey.

The importance of skills

One of the major reasons for the low activity rate of older workers is their below average skill level. Labour force participation is positively related to skill level regardless of age and gender. The impact of education of labour force participation may become even more important in the future, as job prospects are increasingly dependent on the educational attainment and skills due to skill-biased technological change. Table 4 shows the composition of participation rates in terms of levels of education – low (less than upper secondary), medium (upper secondary) and high (tertiary). The decline in participation with educational attainment is evident for both men and women at any age group in both countries, although markedly more so in Austria. The decline in labour force participation with declining educational attainment is particularly high for older workers, amounting to 33 percentage points (high versus low) in Austria and 27.5 percentage points in Australia. For older women the drop off is more pronounced than for men. This is reflected in the higher drop-out from the workforce of mature workers in Austria, particularly older women, shown in Figure 1.

Figure 1: Participation rates by age and gender in OECD countries, 2003^a
Percentages



Source: European Labour Force Survey and national labour force surveys. EULFS for Austria, Netherlands and Switzerland. – ^a) 2002 data for Iceland and Luxembourg.

Table 4: Labour force participation rates by age, gender and education, 2002
Percentages

		Men		Women		Total	
		25-49	50-64	25-49	50-64	25-49	50-64
AUS	L	87,5	64,9	62,8	42,4	73,4	51,3
	M	93,8	78,1	69,6	59,0	84,3	72,2
	H	95,3	85,6	83,1	71,2	88,7	78,8
AUT	L	88,4	49,2	68,8	30,4	76,2	37,2
	M	94,9	58,9	82,4	40,0	89,0	49,9
	H	97,0	74,0	90,1	61,7	93,9	70,1
DNK	L	84,6	60,7	64,6	45,5	74,6	52,0
	M	93,5	75,9	87,4	67,2	90,7	72,0
	H	96,3	86,5	92,0	78,8	93,8	82,9
FIN	L	84,2	56,8	76,6	54,4	81,0	55,6
	M	90,0	67,8	83,9	66,7	87,2	67,2
	H	96,5	78,1	90,7	78,9	93,2	78,5
GBR	L	74,0	57,4	51,6	49,6	61,4	53,5
	M	93,3	76,0	77,5	72,6	85,7	74,7
	H	96,9	79,6	89,0	80,8	93,0	80,1
JPN ^a	L	93,5	83,7	65,0	52,5	81,5	67,3
	M	97,8	91,0	66,5	57,2	81,5	72,6
	H	98,9	92,7	68,7	59,3	84,2	79,2
NLD	L	88,0	60,5	60,5	32,0	74,1	43,5
	M	95,5	71,1	81,2	51,9	88,4	62,8
	H	97,9	81,4	89,5	65,9	94,0	75,6
NZL	L	84,2	72,6	61,8	50,6	72,8	60,2
	M	94,0	87,3	76,6	68,6	85,5	79,6
	H	93,4	85,9	81,3	73,5	86,6	79,2
SWE	L	84,1	73,2	72,2	60,3	79,1	67,3
	M	91,6	80,0	86,7	76,8	89,2	78,4
	H	91,5	88,1	88,6	87,0	89,9	87,5
USA	L	82,7	59,3	57,1	38,8	71,0	48,6
	M	89,9	73,8	76,5	62,5	83,2	67,6
	H	94,4	84,3	82,5	74,6	88,2	79,7

Source: Education at a Glance; ^a = data for Japan from national sources, 2001.

Unemployment

Unemployment rates show the potential for higher output and an offset to the negative aspects of ageing. Figure 2 shows the incidence of unemployment among the prime and mature age groups in both genders. For men in the prime age group, the rates for the two countries are about the same – 4.5 percent compared to 4.2 percent. For women, the Australian rate is 4.9 percent compared to 3.6 percent for Austria. Of these, long-term unemployment was higher for Australian men (30 percent compared to 20 percent in Austria), but lower for Australian women relative to Austrian women (19 percent versus 26 percent).

However, the position between the two countries is reversed for the mature group as far as the unemployment rate is concerned. For men, Austria had just over 6 percent unemployment, Australia about 4 percent. In both countries, nearly half of these were long-term unemployed. For women, Austria's unemployment was 4.3 percent compared to Australia's 3.6 percent. As with mature aged women, long-term unemployment made up a larger share of unemployed women in Austria than in Australia.

Thus, older workers face a harsher employment environment in Austria than in Australia as documented by higher unemployment rates. Particularly older women face barriers of re-entry into employment, which shows up in a higher share of long-term unemployed (38 percent compared to 31 percent in Australia). Skill levels and employer discrimination have a bearing on this issue.

Table 5: Unemployment rates by age, gender and education, 2002
Percentages

		Men		Women		Total	
		25-49	50-64	25-49	50-64	25-49	50-64
AUS	L	9,2	7,2	7,3	3,9	8,3	5,5
	M	3,9	4,4	5,1	4,0	4,3	4,3
	H	3,3	3,2	3,6	1,9	3,5	2,7
AUT	L	8,0	9,1	5,8	5,4	6,8	7,2
	M	3,0	5,4	3,1	5,0	3,0	5,2
	H	1,8	1,6	2,0	1,7	1,9	1,6
DNK	L	4,9	4,0	8,9	6,7	6,6	5,4
	M	2,9	4,3	3,5	3,2	3,2	3,8
	H	3,9	3,1	4,1	1,5	4,0	2,4
FIN	L	12,8	10,3	14,7	11,7	13,5	11,0
	M	8,8	8,6	8,6	9,4	8,7	9,0
	H	3,4	6,8	5,0	3,1	4,3	5,0
GBR	L	13,4	6,3	8,2	3,9	10,9	5,2
	M	4,2	4,0	4,3	3,0	4,2	3,6
	H	2,7	2,9	2,1	1,7	2,4	2,4
JPN ^a	L	7,9	6,3	5,9	3,6	7,2	5,2
	M	4,6	5,2	5,3	3,6	4,9	4,6
	H	2,5	3,9	4,0	1,5	3,1	3,2
NLD	L	3,5	2,6	5,2	3,4	4,2	2,9
	M	1,7	1,6	2,8	2,9	2,2	2,0
	H	2,1	1,6	2,1	3,4	2,1	2,2
NZL	L	6,8	4,3	6,6	3,1	6,7	3,7
	M	2,8	2,8	4,1	3,7	3,4	3,1
	H	3,5	3,1	3,5	2,8	3,5	3,0
SWE	L	6,1	4,7	7,7	5,2	6,7	4,9
	M	4,8	5,9	4,2	3,6	4,5	4,8
	H	3,8	2,9	3,0	1,4	3,4	2,2
USA	L	10,5	8,1	12,1	6,8	11,1	7,6
	M	6,5	5,2	5,7	3,7	6,1	4,5
	H	3,3	3,2	2,8	2,5	3,1	2,9

Source: Education at a Glance; ^a = data for Japan from national sources, 2001.

Unemployment and the level of skills

Unemployment rates are strongly linked to education levels. For prime age workers, the difference in the unemployment rates between those with high and low educational qualifications is similar in both countries, amounting to close to 5 percentage points. However, low-skilled older workers have a significantly higher unemployment rate than high

skilled workers in Austria, i.e., plus 5.6 percentage points compared to 3 percentage points in Australia. Indeed, this indicates that education and training as well as better employment activation measures towards older low-educated workers are more in need in Austria than Australia (Table 5).

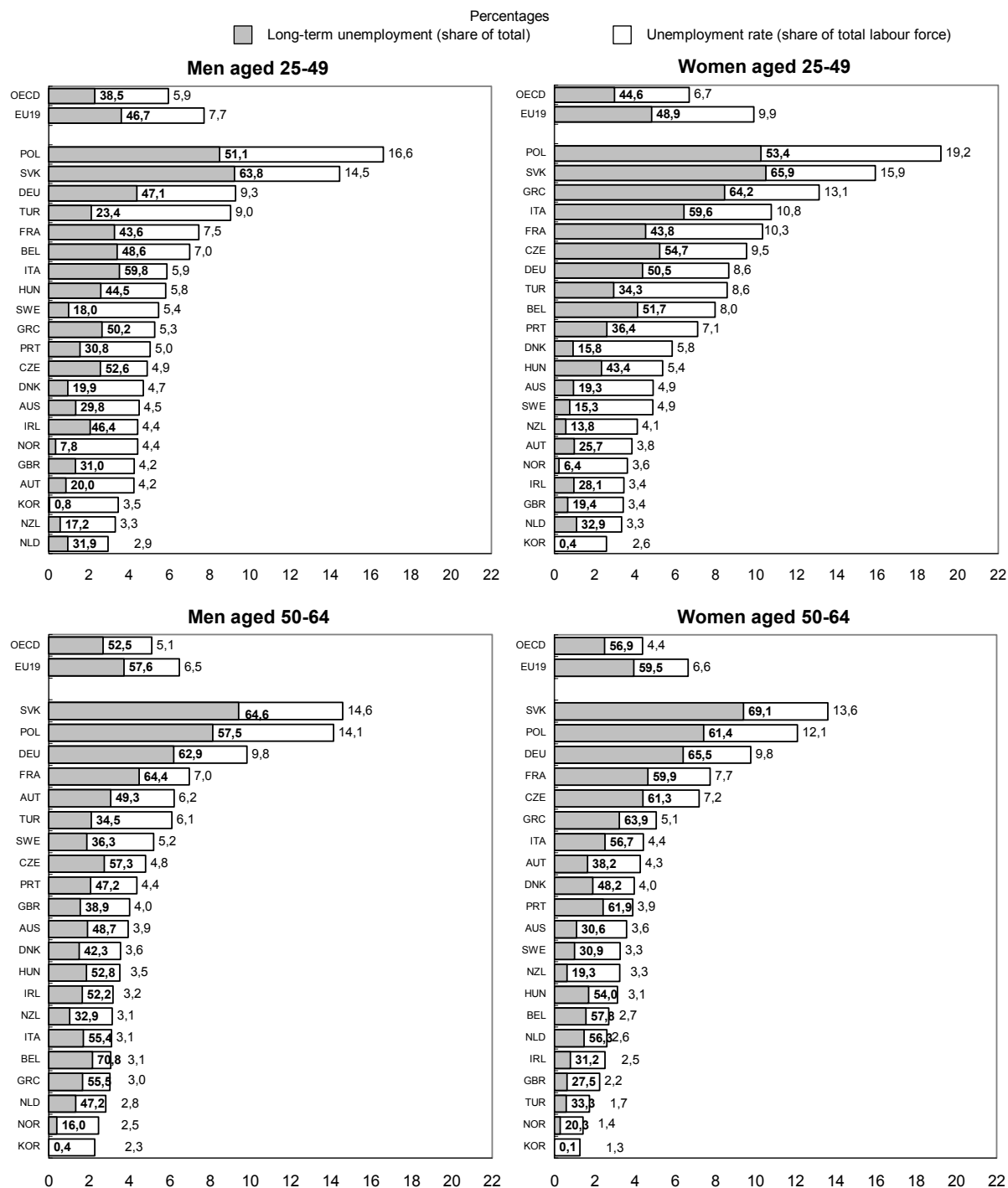
Table 6: Share of low-skilled population in OECD countries, 2002

	25-49			50-64		
	Total	Men	Women	Total	Men	Women
Australia	34,2	29,5	38,8	50,4	39,8	61,0
Austria	17,8	13,4	22,4	31,4	23,1	39,4
Belguim	31,7	33,2	30,1	55,2	51,8	58,5
Canada	13,6	15,0	12,2	26,3	25,3	27,3
Czech Rep.	8,8	6,4	11,3	18,2	9,9	25,8
Denmark	17,7	17,8	17,6	24,2	19,9	28,9
Finland	15,6	17,9	13,3	42,1	42,4	41,8
France	28,9	27,9	29,7	48,2	43,1	53,2
Germany	14,3	12,1	16,6	20,0	13,0	26,9
Greece	35,9	35,6	36,1	67,6	62,8	72,1
Hungary	21,1	18,2	23,9	43,1	35,7	49,5
Iceland	32,2	25,9	38,6	39,5	28,4	50,8
Ireland	30,4	32,9	27,9	58,8	59,5	58,0
Italy	45,3	46,6	44,0	70,8	65,9	75,5
Korea	17,9	13,5	22,4	64,2	49,5	78,5
Mexico	81,9	81,9	81,8	89,2	86,8	91,9
Netherlands	28,4	27,7	29,1	44,3	35,3	53,5
New Zealand	19,0	19,2	18,7	32,1	28,0	36,1
Norway	8,6	9,0	8,3	23,7	22,2	25,2
Poland	11,9	12,3	11,5	32,7	28,1	37,0
Portugal	74,5	77,3	71,7	90,4	89,5	91,3
Slovak Rep.	9,3	7,6	11,0	26,0	16,0	34,7
Spain	49,8	51,1	48,6	78,9	73,9	83,7
Sweden	12,2	13,9	10,6	28,9	31,1	26,7
Switzerland	12,9	11,4	14,4	20,6	15,7	25,4
Turkey	72,7	68,0	78,3	83,7	80,8	88,2
United Kingdom	12,5	10,8	14,3	25,4	21,9	30,2
United States	12,0	13,2	10,8	14,2	14,1	14,3
OECD	29,6	28,9	30,3	41,4	38,3	44,5

Source: OECD Education at a Glance – OECD indicators.

Regardless of age and gender, the unemployment rate declines with skill for both countries and indeed for the OECD countries generally. The reverse applies to the rate of employment. It is noteworthy that the proportion of Australia's low-skilled persons in the population for both men and women, is significantly higher than in Austria – total of 34 percent compared to 18 percent (Table 6). It is among the highest levels in the developed countries – the figures for UK and USA being around 12 percent. The employment rates of unskilled mature workers are, however, comparatively high in Australia, particularly relative to Austria (49 percent compared to 35 percent in Austria). Nonetheless, raising the educational attainment level of mature workers should reap higher returns in terms of participation and employment rates in Austria than Australia.

Figure 2: Unemployment fates and long-term unemployment shares by age in selected OECD countries, 2003



Source: European and national labour force surveys

All that said, however, it has to be borne in mind that in the absence of an institutionalised learning society the actual competencies and skill levels of the work force, particularly older workers, is understated by statistics based on formal education. Proper assessment of skills obtained on the job and further education/training and their integration in the national/international system of educational norms (individual learning accounts) will ensure a better measure of the actual skills of the population.

Employment structure of mature workers

The job prospects of older workers depend not only on their skills and competencies but also on the development prospects of the industries and occupations they currently work in. In addition, labour demand differs depending on the employment conditions and the degree of flexibility of the work contract or type of employment. As institutional factors, regulations and incentives differ between Austria and Australia, a different mix of employment forms is the result, whereby Australia tends to have a larger share of flexible employment forms than Austria both for prime age workers and older workers. In general, compared to prime age workers, older workers are more often working in casual employment, on their own account, and in part-time employment.

Part-time and casual workers

Part-time work is an important feature of employment flexibility, particularly of older women; Australia has one of the highest proportions of part-time work in the OECD (Table 7). However, the actual working hours do not correspond to the preferred hours, as an ABS Survey for Australia indicates (6105.0, cat. no. 2005). Accordingly, of those working 1 to 7 hours per week, 34 percent of the 45-54 and 22 percent of the 55+ age groups respectively would prefer more hours of work; while of those who worked 8 to 34 hours a week, 23 percent and 13 percent of these age groups expressed a preference for more hours. Austria has a significantly lower share of part-time workers than Australia for both men and women, especially the latter. On the face of it, there is considerable potential for increased part-time participation in Austria.

Another indication of a more flexible labour market in Australia compared to Austria is the significantly higher proportion of casual employees in total employment, a large proportion of them part-time workers³. While 15.7 percent of male employment in Australia is casual, and 26.3 percent in the case of females, the proportions are 5 percent and 12 percent respectively in Austria. However – in Austria contrary to Australia – older persons make up a larger proportion of total casual employees. In 2003, around 6 percent of men over 50 and 16 percent of older female workers were casuals. While the age pattern differs between

³ Casual workers are defined as those employees, who do not receive paid sick or holiday leave; in the case of Austria, "geringfügig Beschäftigte" and "freie Dienstnehmer".

Austria and Australia, the proportion of workers over 50 in casual employment is still higher in Australia than in Austria (men 10 percent, women 20 percent). This is an indication that there is considerable scope for older workers, particularly low-skilled ones, to take up employment as casuals in Austria, in particular in low skilled jobs and in industries with large fluctuations in demand over the year (Table 8).

Table 7: Part-time work by age and gender, 2003^a
Percentage of total employment

	Both		Men		Women	
	25-49	50-64	25-49	50-64	25-49	50-64
Netherlands	26,6	31,6	4,5	11,7	53,7	63,7
Australia	23,5	27,5	7,7	12,8	42,8	47,9
Germany	21,6	23,5	4,4	6,3	42,4	46,6
Iceland	21,4	18,8	6,1	4,4	38,8	34,3
Norway	21,2	25,0	7,0	8,5	37,2	43,7
Japan	21,1	27,3	8,5	14,8	39,8	45,8
United Kingdom	20,6	28,6	4,0	11,6	41,2	49,8
Belgium	19,9	23,4	4,1	10,1	39,5	45,7
Austria	19,6	17,6	3,5	4,0	39,7	38,6
New Zealand	19,1	21,9	5,9	9,9	34,4	36,8
Sweden	18,3	21,5	7,0	10,5	30,6	33,1
Turkey	16,6	31,0	11,8	25,8	31,3	43,1
France	15,3	16,4	3,7	5,4	29,1	29,8
Denmark	15,3	16,8	5,8	6,5	26,4	28,9
Ireland	13,7	20,3	2,9	6,6	27,8	44,7
Luxembourg	12,6	9,9	1,5	1,0	28,4	27,5
Canada	12,4	16,0	4,8	7,8	21,1	26,2
Mexico	11,5	14,4	4,2	6,6	24,4	33,0
Italy	8,8	6,8	2,7	3,2	18,3	13,8
United States	7,9	9,4	2,8	4,7	13,5	14,1
Finland	7,8	14,4	3,8	11,1	12,2	17,8
Spain	7,5	6,6	2,0	1,5	15,7	17,7
Poland	6,6	14,3	4,3	11,6	9,3	17,7
Portugal	6,3	16,0	2,2	8,2	10,9	25,9
Korea	5,4	9,6	3,1	7,9	9,1	12,0
Czech Rep.	3,7	6,6	0,9	3,7	7,3	10,6
Greece	3,5	3,8	1,4	1,8	6,6	7,8
Hungary	2,8	5,3	1,3	3,8	4,4	6,9
Slovak Rep.	1,8	4,3	0,7	2,3	3,0	7,1

Source: OECD database on part-time work. – ^a) 2002 data for Austria, France, Iceland, Korea, Luxembourg, Mexico and USA.

As to self-employment, 39 percent of over 50-year old employed men in Australia are self-employed, the figure for all age groups is only 24.5 percent; Australian employed women have a similar pattern, albeit at a lower level (24 percent compared to 14 percent) (Table 8). The respective shares in Austria are significantly lower (men: 29 percent versus 12 percent; for women: 18 percent versus an average of 9 percent), implying that the promotion of self-employment might open up employment opportunities for older workers in Austria.

Crucial for an increased uptake of casual and part-time work, as well as self-employment, at a mature age is that it pays, i.e., that marginal tax rates are low enough to allow exiting the poverty trap and that retirement income may be higher thereby in the longer term. This is a

particular challenge for Austria, as there are no financial incentives to remain in the formal labour market beyond a certain age. More on this later in the section on retirement regulations. The downside of a low wage casual labour market is discussed below in the policy section.

Table 8: Employment status of older workers by gender in Austria and Australia, 2003
Percentages of total employment

	Non-casual employees		Casual employees		Self-employed	
	Men	Women	Men	Women	Men	Women
<i>Australia</i>						
Total	59.8	59.6	15.7	26.3	24.5	14.1
50+	51.3	56.5	9.7	19.5	39	24.1
<i>Austria</i>						
Total	83.4	79.1	4.7	11.7	11.9	9.2
50+	65.2	66.1	6.1	15.7	28.7	18.2

Source: ABS, LFS; WIFO. Casual employees are defined as those without leave entitlements.

Hours of work

In Austria, flexibility of hours of work appears to be the employers' preferred instrument of adjustment to demand fluctuations. On the basis of an indirect measure of the incidence of overtime work (which is known to underestimate the true incidence of overtime work), 9 percent of all male workers in Austria are found to work more than their normal hours (Table 9). This is the second highest proportion among the 18 European countries for which comparable data are available for 2003. In Austria, overtime work is particularly high among older workers, especially for men. The large amount of overtime work indicates that transaction costs associated with recruitment and training are high, and that they constitute a barrier to labour market entry. Strong corporatism and an effectively structured system of industrial relations favour both functional and working-hours flexibility.

The statutory normal weekly working time in Austria is 40 hours, but some industries have reduced the normal working hours to 38.5 in collective agreements. Currently, 82 percent of men and 60 percent of women have a 38-40 hour normal work week. A fairly high proportion of women work less than 38 hours (32 percent compared to 4 percent of men), while a fairly large proportion of men work more than 40 hours (14 percent compared to 8 percent of women). For both men and women, it is mostly older workers who work long hours (Table 10) – noting that the number of workers aged 65 and over is very small. Among men, the proportion working less than 38 hours is small and fairly equally distributed by age. More generally, university graduates have above-average working hours (27 percent of male and 11 percent of female graduates), while unskilled labourers have short weekly working hours (17 percent of unskilled men and 47 percent of unskilled women) (Statistics Austria Labour Force Survey, 2002).

Table 9: Incidence of overtime work in European OECD countries by age, 2003^a
Proportion of male full-time workers working overtime hours

	20-24	25-29	30-34	35-39	40-44	45-49	50-54	55-59	60-64	Total
Sweden	8,3	11,4	11,5	11,4	10,5	11,0	9,4	8,6	7,0	10,1
Austria	6,2	8,7	10,6	9,8	10,2	9,6	8,4	9,3	8,2	8,9
Finland	8,5	11,0	11,0	9,1	8,8	7,9	7,2	6,5	7,3	8,8
Netherlands	8,1	12,2	11,7	9,8	9,0	7,3	5,7	4,2	2,5	8,6
Czech Republic	7,0	6,9	9,2	7,0	7,7	6,4	6,0	7,0	3,9	7,1
Denmark	7,2	8,5	8,2	5,0	5,6	4,6	5,6	5,7	1,7	5,9
United Kingdom	3,8	5,1	4,6	5,2	4,9	4,2	3,7	4,1	4,6	4,5
Hungary	3,7	4,3	3,4	3,4	3,5	4,1	2,9	2,6	1,0	3,6
Italy	2,8	3,3	3,4	3,8	3,9	3,2	3,4	2,9	1,7	3,4
Slovak Republic	5,1	4,8	3,9	3,2	2,4	1,6	2,5	3,7	0,0	3,4
France	3,3	3,9	3,1	2,6	2,4	1,9	1,6	1,5	0,0	2,6
Ireland	2,1	2,0	3,2	2,8	3,5	2,2	1,4	2,5	1,8	2,4
Portugal	1,8	1,8	2,3	1,4	0,9	1,2	0,7	0,4	0,5	1,4
Poland	1,1	1,8	1,4	1,4	1,0	1,9	0,4	1,3	1,6	1,4
Belgium	2,0	2,4	2,0	0,7	0,5	0,4	0,6	1,2	0,0	1,2
Norway	0,5	0,3	0,6	0,9	0,5	0,8	0,4	0,4	0,4	0,6
Spain	0,5	0,5	0,5	0,3	0,2	0,2	0,1	0,2	0,0	0,3
Greece	0,2	0,4	0,1	0,5	0,1	0,5	0,1	0,4	0,3	0,3
Unweighted average	4,0	5,0	5,0	4,3	4,2	3,8	3,3	3,5	2,4	4,1
Rank for Austria	6	4	4	2	2	2	2	1	1	2
Relative difference to unweighted average	56%	75%	110%	126%	142%	149%	152%	167%	248%	115%

Source: European Labour Force Survey. – Note: Indirect estimate of overtime work incidence based on information on usual hours and actual hours worked, corrected for leave of absence (sick leave, annual leave, holidays, etc.). Data are sorted by overtime shares for the total workforce (last column).

Table 10: Distribution of normal working hours per week by age and gender in percent, Austria, 2002

	Men					Women				
	< 38	38	39	40	40 +	< 38	38	39	40	40 +
20-24	3.8	28.1	5.5	58.2	4.4	11.8	29.3	4.3	50.8	3.7
25-29	4.2	26.6	6.5	53.5	9.2	23.2	19.8	4.4	47.1	5.5
30-34	3.8	26.3	5.9	51.1	12.9	37.2	17.6	2.6	37.3	5.3
35-39	3.9	25.0	4.9	51.1	15.0	41.9	13.9	2.3	34.0	7.9
40-44	3.7	23.9	5.2	50.5	16.8	37.4	13.1	2.0	39.4	8.0
45-49	3.2	23.2	5.4	51.7	16.6	35.2	13.4	2.3	39.5	9.5
50-54	3.1	23.5	5.3	51.5	16.6	30.2	13.2	2.3	40.5	13.8
55-59	4.6	20.9	4.0	49.5	21.0	31.2	12.2	1.6	40.4	14.6
60-64	6.6	13.2	2.4	46.5	31.4	28.3	4.8	0.8	41.4	24.8
65+	24.9	6.2	0.5	29.0	39.5	30.9	3.4	2.3	32.2	31.2
Total	3.9	25.1	5.3	51.7	13.9	31.5	16.9	2.8	40.7	8.1

Source: Statistics Austria (Microcensus 2002).

The long working hours and the large amount of overtime work of older workers in Austria requires explanation in view of the often assumed decline in work capacity with age. Apparently, older workers need to work hard to justify their high seniority wage, i.e., the high productivity of older workers implicit in the Austrian wage system, a point to be discussed later. Those who cannot match this long-hours expectation, risk being pushed out of the

labour market. The long working hours of older workers in Austria also have to be seen in the context of the occupational mix of the older workers. A large proportion is in more responsible administrative and managerial positions, where working long hours is part of the nature of employment, explaining why a large proportion is unpaid overtime.

In Australia, the average weekly hours of work of older employees are only slightly lower than that of prime-age employees – 37.5 compared 38.5 hours. However, although 19 percent of older workers work 50 hours or more per week compared to 17.8 hours for prime-age workers, a larger proportion of the former work shorter hours (Table 11).

Table 11: Weekly usual hours of work in Australia, 2003

Weekly hours worked (percentage of all employees in each age group)

	Total	1 - 20 h	21 - 34 h	35 - 40 h	41 - 49 h	50 h +	Average weekly hours
Total							
All ages	100.0	17.4	11.8	43.2	12	15.6	36.6
25 - 49	100.0	11.9	11.7	45.2	13.4	17.8	38.5
50+	100.0	15.3	13.3	40.5	11.8	19	37.5
50 - 54	100.0	11.5	13.3	42.2	12.9	20.2	38.8
55 - 59	100.0	14.2	13.3	40.8	11.9	19.8	38.1
60 - 64	100.0	20.6	13.4	40.3	9.9	15.8	35.2
65+	100.0	43.3	14.1	22.9	7	12.7	27.2
Men							
All ages	100.0	9.2	5.1	46.8	15.6	23.3	41
25 - 49	100.0	3.4	3.9	48.8	17.3	26.5	43.6
50+	100.0	7.5	5.9	44.3	15.4	27	42.2
50 - 54	100.0	3.3	4.3	46	16.9	29.5	44.1
55 - 59	100.0	5.4	5.5	45	16	28	43.3
60 - 64	100.0	12.5	8.3	45.5	12.1	21.6	39.5
65+	100.0	37.2	13.2	24.2	9	16.4	30.1
Women							
All ages	100.0	27	19.5	38.9	7.8	6.8	30.9
25 - 49	100.0	21.8	20.8	41	8.8	7.6	32.5
50+	100.0	25.4	23.1	35.7	7.2	8.7	31.2
50 - 54	100.0	20.8	23.7	38	8.2	9.4	32.8
55 - 59	100.0	25.7	23.4	35.4	6.5	9.1	31.3
60 - 64	100.0	34.8	22.1	31.4	6	5.7	27.8
65+	100.0	56.5	16	20.1	2.6	4.9	20.9

Source: Australian Bureau of Statistics, Labour Force Survey.

As mature workers are more often part-timers and casual workers in Australia than in Austria, the employment rate of mature workers unadjusted by working hours is overestimating the actual employment rate of mature workers in Australia relative to Austria. If one adjusts the employment rate of older workers by working hours, the differential between Austria and Australia is reduced by 6 percentage points for men and 10 for women. Thus, the adjusted employment rate for mature men declines to 62.8 percent in the case of Australia while remaining at 54.8 percent in the case of Austria. For women the adjusted employment rate declines to 35.2 percent and is thus only slightly above the rate for mature women in Austria (31.1 percent) (Table 11a).

Table 12: Employment rates of the 50-64 age group adjusted for hours worked, 2003

	Unadjusted Employment Rate				Adjusted Employment Rate				Weekly hours of work	
	Men		Women		Men		Women		Men	Women
	Rate (%)	Rank	Rate (%)	Rank	Rate (%)	Rank	Rate (%)	Rank		
Iceland	90,5	1	85,9	1	110,1	1	72,6	1	48,7	33,8
Mexico	84,5	2	33,5	20	81,2	2	25,6	21	38,5	30,5
New Zealand	79,2	3	63,1	4	77,5	3	49,3	6	39,1	31,2
Norway	77,8	4	70,2	3	71,3	6	52,9	4	36,7	30,2
Korea	77,5	5	48,9	11	54,3	21	33,7	14	28,0	27,5
Sweden	76,1	6	72,6	2	75,2	4	64,3	2	39,5	35,4
Denmark	74,6	7	62,9	5	69,9	8	52,7	5	37,5	33,5
United States	72,5	8	61,6	6	74,2	5	58,2	3	40,9	37,8
United Kingdom	71,8	9	56,1	7	67,0	13	38,8	10	37,3	27,7
Ireland	71,4	10	40,8	15	68,6	11	27,4	19	38,4	26,8
Portugal	70,2	11	49,4	10	69,7	9	42,8	8	39,7	34,7
Canada	70,2	12	55,8	8	68,4	12	46,4	7	39,0	33,3
Australia	68,9	13	49,9	9	62,8	14	35,2	12	36,5	28,2
Netherlands	68,3	14	43,1	14	62,6	15	24,9	22	36,7	23,1
Spain	68,3	15	29,8	23	70,7	7	27,1	20	41,4	36,4
Greece	68,1	16	32,8	21	68,9	10	30,7	18	40,5	37,5
Germany	59,2	17	44,2	13	57,1	17	32,6	15	38,6	29,6
France	58,5	18	47,2	12	55,5	19	38,3	11	38,0	32,5
Italy	58,2	19	28,5	24	56,7	18	23,5	23	39,0	33,0
Slovak Rep.	56,2	20	34,2	19	58,4	16	34,3	13	41,5	40,1
Austria	54,8	21	35,9	17	54,8	20	31,1	17	40,1	34,7
Belgium	53,7	22	31,4	22	50,1	24	22,5	24	37,3	28,7
Turkey	51,5	23	22,0	25	52,1	23	20,3	25	40,4	36,9
Hungary	51,0	24	38,4	16	52,8	22	38,9	9	41,4	40,5
Poland	47,3	25	34,4	18	46,3	25	31,5	16	39,2	36,7

Source: Labour Force Statistics and OECD database on hours.

Older workers by industry and occupation

The industry and occupation in which older workers are employed determines to some extent their chances of employment retention, as industries may shrink and the demand for certain occupations may decline. In Austria as well as Australia, older workers tend to remain in their original occupations, while younger workers tend to move into growth industries and occupations, particularly services. This is documented by a survey of job-leavers in 2002 in Australia: of those employed, 24 percent of the 15-24 year-olds and 14 percent of the 25-49 year-olds left their jobs, while only 6 percent of the 50-64 age group did so. 'Unsatisfactory working conditions' was given as one of the reasons for leaving by 36 percent, 25 percent and 13 percent respectively by these age groups.

In Austria, older men are overrepresented, compared to their overall employment share of 17.5 percent, in agriculture as well as public sector administration, health services as well as education. The same holds for women, except that the employment share of older women is lower than for older men (13.8 percent). In addition, older women have an above average employment share in the banking and insurance industry. In terms of shares of total employment, however, there are large differences by gender. While a quarter of all older men are working in the public sector, more than 40 percent of all older women work there.

Older women are also to a larger extent than men employed in trade (25 percent versus 13 percent) and in banking and insurance (16 percent versus 9 percent). In contrast, older men work above all in manufacturing, utilities, mining as well as construction (in toto 43 percent) (Table 12).

Table 13: Austrian older workers by employment status and occupation, 2002
Percentages

	Older workers (aged 50 - 74) in each category:					
	As a share of all employed persons in each category			As a share of all older workers		
	Total	Men	Women	Total	Men	Women
All employed	15.8	17.5	13.8	100.0	100.0	100.0
By industry:						
Agriculture, hunting, forestry and fishing	18.0	20.6	14.3	1.3	1.4	1.0
Mining and quarrying, manufacturing, electricity, gas and water supply	15.0	16.2	11.4	22.1	29.7	10.6
Construction	14.5	14.9	11.5	8.3	12.8	1.6
Wholesale and retail	13.1	14.8	12.1	17.4	12.9	24.2
Transport, storage and communication	15.0	15.7	12.9	7.1	9.4	3.8
Financial and real estate business	15.7	17.3	14.5	11.8	9.4	15.5
Public administration, education, health and social work	18.0	24.3	14.7	32.0	24.8	42.9
By occupation:						
Legislators, senior officials and managers	23.6	28.0	14.9	7.8	10.2	4.1
Professionals	18.6	22.9	14.9	11.8	11.2	12.7
Technicians and associate professionals	13.5	16.4	10.4	13.3	13.8	12.6
Clerks and related workers	15.6	19.7	13.8	15.2	9.7	23.4
Service workers and sales workers	10.8	12.7	9.9	10.6	6.6	16.6
Agricultural and fishery workers	22.2	22.4	21.9	1.1	1.2	1.1
Craftsmen and related workers	12.9	13.2	9.5	15.1	23.7	2.2
Plant and machine operators	18.2	19.4	12.6	10.1	14.7	3.2
Elementary occupations	23.5	22.4	24.1	14.9	8.8	24.0

Source: Austrian Labour Force Survey.

By occupation, there are large differences between older men and women in terms of employment shares. Three major occupational groups account for two thirds of the employment of older women, namely elementary occupations, office and service and sales work. In contrast, older men are employed in a much wider range of occupations, with a particularly high proportion of craftsmen (24 percent) and professionals (14 percent). At a more detailed level, the age distribution across occupational groups shows that older workers are over-represented in some declining manufacturing industries, particularly consumer goods like textiles, clothing and leather industries, in the higher skill segment of agriculture and forestry, as well as in high-level management positions, public administration, education and health services. The comparatively low educational attainment level of older female workers and the limited upgrading of skills in their working lives are impediments for their employment in more skilled occupations (Table 12).

There are major differences in the industrial distribution of older workers between Austria and Australia. Mature Australian men and women work to a significantly larger extent than

Austrians in agriculture (5.3 percent versus 1.3 percent); in contrast, a larger proportion of mature Austrians work in manufacturing industries than in Australia (manufacturing including mining 22 percent versus 13 percent). Not surprisingly, the occupational mix of mature workers differs significantly between Austria and Australia. In Austria, the occupational mix of mature men is heavily concentrated on trade skills (craftsmen), given their employment focus on manufacturing industries. In contrast, Australian mature men are to a large extent managers and professionals. In the case of mature women, the most striking feature is the high concentration of Austrian women in elementary occupations, i.e., as labourers and elementary clerical, sales and service workers, relative to Australians (24 percent versus 19 percent) and a smaller proportion in professional and associate professional jobs (25 percent versus 34 percent). A common feature in both countries is the larger occupational spread of mature male workers compared to females (Table 13).

A notable feature of the occupational structure of mature workers in Australia is the high proportion of managers and professionals, which is the result of the polarised skill structure of older workers in Australia. (Figure 7) Australia has a significantly higher proportion of mature workers with tertiary education than Austria (27.2 percent versus 17 percent), and a larger proportion of unskilled workers (42.7 percent versus 25.8 percent), while mature Austrian workers are concentrated in the medium to upper medium skill segment (57 percent versus 30.1 percent in Australia). Thus, mature Australian workers are more often than Austrians found in occupations which require degrees and/or considerable work experience. Both, mature men and women, are more than proportionately represented in the two major experience-based occupational groups, managers and administrators as well as professionals, i.e., around 33 percent of all mature Australian male and 28 percent of all mature female workers compared to only 21 percent of mature men and 17 percent of mature women in Austria.

Austrian mature workers have suffered from the rapid decline of employment in manufacturing industries in the last two decades, precipitated by globalisation and the opening up of Central and Eastern European countries. As a result, in the course of the 1990s, low to medium skill labour-intensive production lines were relocated from West to East, while high-skill labour-intensive and capital intensive production expanded in the West. This process of vertical fragmentation of production left many older workers without prospects of a job with similar working conditions and pay. They lacked the skills to take advantage of the employment opportunities which opened up in the higher end of the value added chain. Re-allocation of labour from declining to growing industries and occupations is always a challenge, but more so if employment growth is limited as in the case of Austria. As structural change is unskilled labour saving, the challenge of re-employment of largely unskilled older workers is even greater.

Table 14: Employment of older workers (50 to 64) by industry and occupation in Australia, 2003

Percentages

<i>Industry</i>	As a share of all employed persons in each category			As a share of all older workers		
	Total	Men	Women	Total	Men	Women
A - Agriculture, Forestry and Fishing	28.6	26.7	33.1	5.3	6.0	4.4
B - Mining	18.9	19.8	12.2	0.9	1.4	0.2
C - Manufacturing	21.3	21.2	21.6	11.8	14.8	7.8
D - Electricity, Gas and Water Supply	24.3	27.7	10.8	0.9	1.4	0.2
E - Construction	18.4	18.1	20.7	7.1	10.5	2.4
F - Wholesale Trade	21.5	22.3	19.7	4.9	6.0	3.4
G - Retail Trade	14.0	14.6	13.4	10.4	9.1	12.2
H - Accommodation, Cafes and Restaurants	13.6	13.8	13.4	3.2	2.4	4.4
I - Transport and Storage	26.0	28.2	19.1	5.6	7.9	2.4
J - Communication Services	20.1	22.1	15.8	1.8	2.3	1.1
K - Finance and Insurance	15.9	19.4	13.1	2.8	2.7	3.0
L - Property and Business Services	21.0	23.3	18.2	11.9	12.5	11.1
M - Government Administration and Defence	24.3	29.9	18.3	5.4	5.9	4.7
N - Education	29.4	34.2	27.0	10.1	6.5	15.1
O - Health and Community Services	25.6	27.3	25.1	12.0	4.8	22.0
P - Cultural and Recreational Services	15.8	16.2	15.4	1.9	1.7	2.1
Q - Personal and other Services	20.3	23.9	16.5	3.9	4.0	3.6
All industries	20.8	21.8	19.5	100.0	100.0	100.0
<i>Occupation</i>						
1 - Managers and Administrators	31.0	32.0	28.0	10.7	14.2	5.8
2 - Professionals	22.0	24.1	20.0	19.8	18.4	21.7
3 - Associate Professionals	23.2	24.5	21.3	13.7	14.6	12.4
4 - Tradespersons and Related Workers	17.2	17.4	15.8	10.7	16.7	2.3
5 - Advanced Clerical and Service Workers	25.9	27.0	25.7	5.0	1.0	10.6
6 - Intermediate Clerical, Sales and Service Workers	18.2	19.3	17.7	15.1	7.7	25.4
7 - Intermediate Production and Transport Workers	23.7	23.9	22.2	9.6	14.6	2.8
8 - Elementary Clerical, Sales and Service Workers	13.1	13.8	12.8	6.3	4.0	9.6
9 - Labourers and Related Workers	20.3	18.0	24.3	9.0	8.8	9.4
All occupations	20.8	21.8	19.5	100.0	100.0	100.0

Source: ABS, Australian Labour Force Survey.

Effective and statutory retirement age

Workers are retiring from the workforce before the statutory retiring age. The extent varies from country to country for both men and women. For men in Austria and Australia, while the statutory retirement age is 65, the effective retirement age is 63 years for Australia and 59 for Austria, i.e., 4 years earlier for Austrian men. The gap is equally high for women: in Austria, the effective age of retirement being 57 against the statutory age of 60, while the figures are respectively 61 and 62 for Australia (Figure 3).

The effective retirement age has increased in both countries since the mid-1990s – in Australia by 1.5 years for both men and women, which is about the same extent as for Austrian men; in

contrast, the increase for Austrian women has been hardly half that rate. The actual retirement rate of Austrian women today is as low as it was during the 1980s.

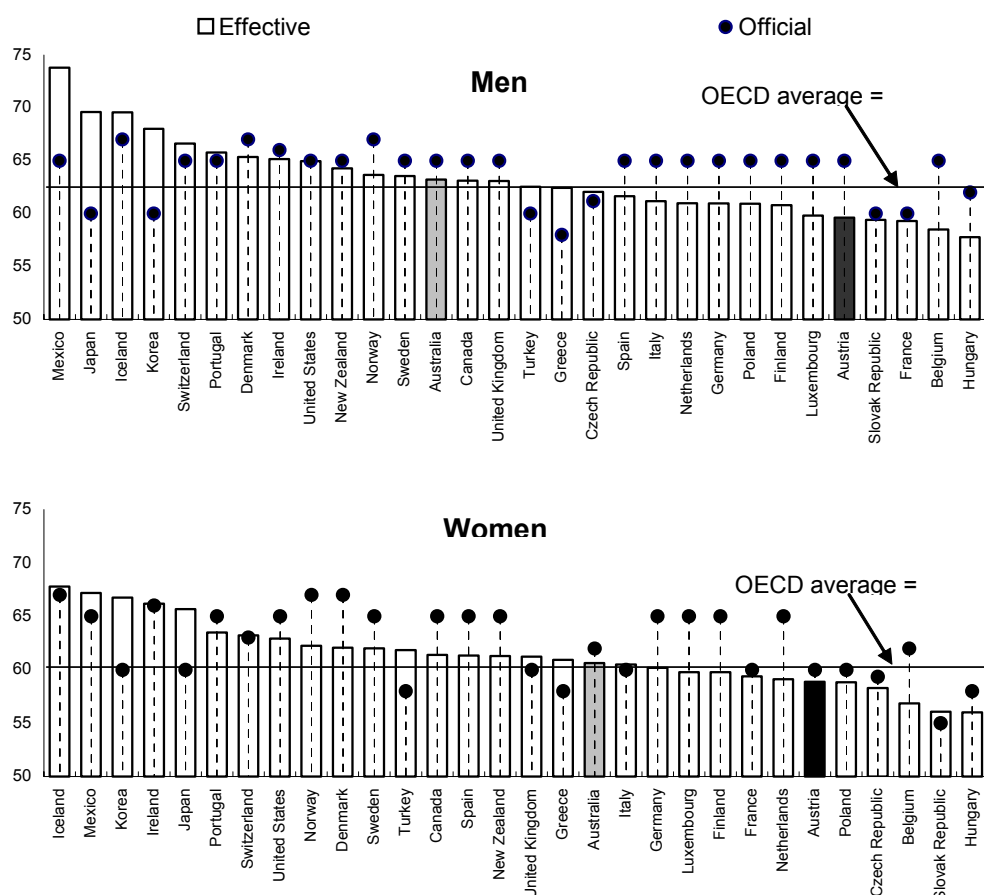
Austrian social insurance data also provide information on the status of pensioners before retirement. In 2003, more than two-thirds of all new retirees were employed before drawing a pension, and one in five were unemployed (Table 14). Compared with five years earlier, the proportion moving from employment into old-age retirement has increased, while the proportion moving from unemployment into retirement has declined. Also a fairly large proportion of the new entrants into disability pension, on average 20 percent, is a movement out of mostly long-term sickness into disability benefit. In 2003, a significantly larger proportion than in 1998 moved from employment into a disability pension, while the move out of sickness and unemployment into disability slowed down. The changing flows of older workers into a pension scheme by former status over the last 5 years is a result of institutional changes and indicates that the various early exit routes from employment are at least to some extent communicating vessels, whereby the closing off of avenues in one area leads to an increased inflow into another area.

Table 15: Transition to retirement by type of pension and gender in Austria, 2003 and 1998^a
Status before retirement (percentage)

	Employment		Sickness benefit		Unemployment benefit		Non-employment and other	
	1998	2003	1998	2003	1998	2003	1998	2003
Men								
Disability pension	43	56	24	19	28	24	5	1
Old-age pension	56	77	2	1	35	17	8	4
All pensions	50	69	13	8	31	20	7	3
Women								
Disability pension	38	59	26	21	21	17	15	3
Old-age pension	45	70	2	2	33	22	19	7
All pensions	45	68	5	5	31	21	19	6

Source: Federal Ministry of Social Security and Generations. – ^a Early retirement due to reduced work capacity included under disability pensions, all other early retirement programmes under old-age pension.

Figure 3: Average effective age of retirement versus the official age, OECD, 1997-2002^a



Source: OECD estimates derived from the European and national labour force surveys. – ^a) The average effective age of retirement is derived from the observed decline in participation rates over a 5-year period for successive cohorts of workers (by 5-year age groups) aged 40 and over.

Employer practices

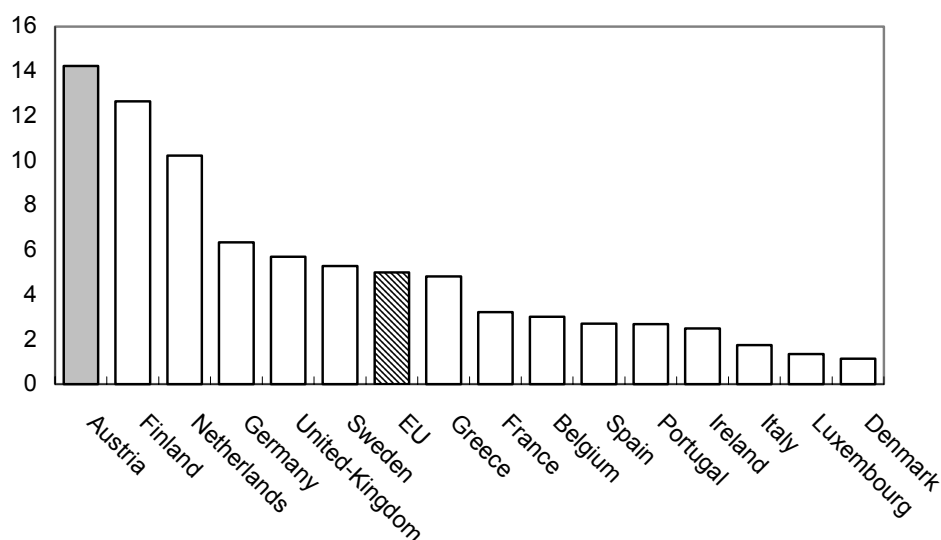
Employment opportunities depend partly on the perceptions of employers concerning the employability of older workers relative to other workers. This section looks at various employer practices which may have a bearing on policy measures to draw and retain a larger proportion of mature workers into employment.

Age discrimination

Discrimination in the employment of older workers is widespread although difficult to identify and quantify. The evidence suggests there is a perception that mature workers are less able to maintain high productivity or to adapt to changes in work practices (Bishop, 1999). On such a perception, age becomes a critical factor in retrenchments. In 1997, some 15 percent

of retirees aged 50-59 did so because they were retrenched (ABS, November 1997. Cat. 6238.0). An ABS 2004 Survey (Cat. 6220.0) of persons not in the labour force, showed that 33 percent of the discouraged jobseekers claimed that they were 'considered too old by employers'. There is also evidence that three out of five workers who were retrenched into early retirement, wanted to keep on working. In 1998, there was one discouraged job seeker for every three unemployed workers in the 45-64 age group; and one for one in the 60-64 age group (Ibid para 2.6). Further data show that three out of five people who were made redundant wished to remain in the workforce (Access Economics, 1999; Pickersgill et al., 1996: 6-7). All this despite evidence that mature age workers have a lower turnover and less absenteeism and 'tend to make better decisions; can be counted on in crisis situations; are more dependable; do a better quality job; and cooperate more on the job.' (Bishop, 1999: para 4.3).

Figure 4: Age discrimination at the workplace in selected OECD countries, 2000
Proportion of older workers reporting age discrimination at their workplace^a



Source: European Foundation, "European working condition survey". - ^a) The questions are: "Over the past 12 months, have you been subjected at work to age discrimination" or "In the establishment where you work, are you aware of the existence of age discrimination"

Evidence on subjectively perceived age discrimination across the EU suggests that age discrimination is also an issue in Austria. According to the European Working Conditions Survey, 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 say that they have been subjected to age discrimination over the past 12 months or have been aware of age discrimination in the company (Figure 4). Only Finland and the Netherlands report proportions close to those in Austria in 2000. Until July 2004, age discrimination in the labour

market has not been an offence. Now, however, cases of age-bias in recruitment and selection of employees, payment of wages and non-wage benefits, training and promotion, conditions of work and retrenchment, may be prosecuted.

In the case of Australia, a Survey by the Department of Family and Community Services (2001) suggests a similar figure as in the EU average. Accordingly, among people aged 45-69 and still working, about 7 percent said that their employer encouraged early retirement and among those fully retired in the same age group the corresponding figure was around 21 percent. A Hilda Survey shows that one-third of all the retired respondents said they were pressured or forced to retire; almost half these unwilling retirees said the pressure came from their employer (Goward, 2005).

Job retention

The employment dynamics over the life cycle differ significantly between groups of workers, but mainly between industries. Some workers are affected by frequent episodes of unemployment (reflected in flows between employment and unemployment), while others stay with the same employer for most of their working lives. Average job tenure for men in Austria is high in an OECD comparison, and in fact close to that in Japan. It also shares a similar pattern with Japan. The retention rate by age of workers slows down from age 45 onwards, and drop off quickly between 55 and 60. This indicates that there is a decline in job retention from this age onwards. On average, men over age 55 (i.e., close to retirement) have worked for the same employer for around 22 years and for women around 18 years. This signals considerable job security until (early) retirement in Austria.

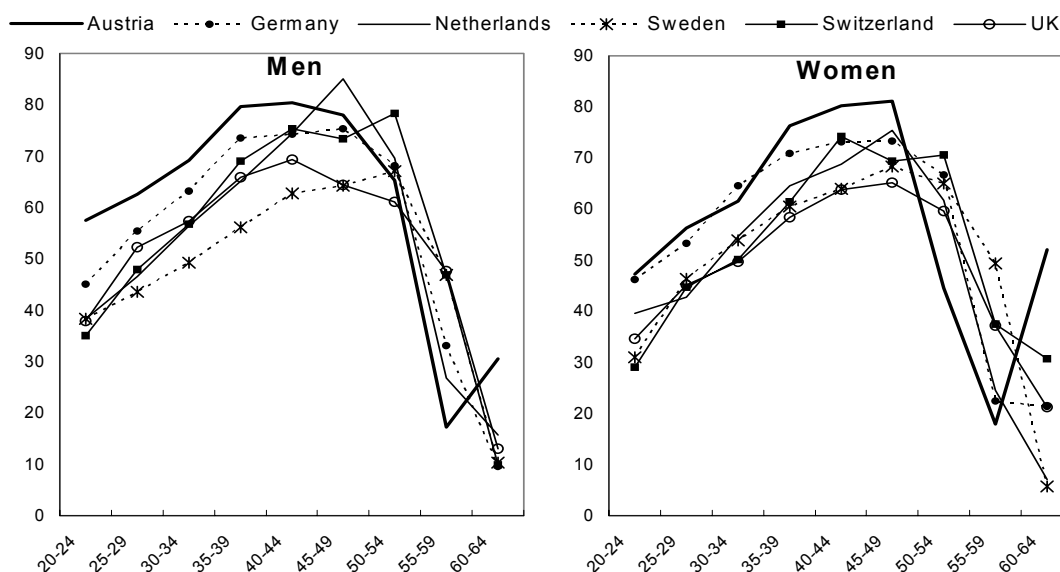
A drawback of average job tenure as an indicator of job stability is its masking of compositional effects (and changes). Five-year job retention rates that take the proportion of all workers who are still working with the same employer five years later are a better indicator of job security⁴. A comparison of retention rates across selected OECD countries confirms the relatively high job stability up to age 50 in Austria. Some 80 percent of all workers in their late 30s and 40s in 1998 were still working for the same employer in 2003 (Figure 5). This is a much higher proportion than in Australia and the neighbouring countries Germany and Switzerland, and very much higher than in the UK with its more flexible and less regulated labour market and significantly higher employment growth rates than Austria.

For older workers, however, job retention rates drop very quickly below those in other OECD countries, especially for women. This is essentially a reflection of the very low effective retirement age in Austria. Five-year job retention rates have increased significantly during the past three years, especially for workers in the 50-54 age group and much more for women

⁴ Retention rates used in this chapter are estimated using cross-sectional data on job tenure, not from directly observing job retention. They are calculated by taking the ratio of the number of workers in any given five-year age group with at least five years of job tenure to the total number of workers in the preceding age group five years earlier.

than for men. The latter may be a response to the recent changes in (early) retirement regulations. It seems that the gradual closing of early labour market exit options has contributed to the prolongation of employment with the same employer.

Figure 5: Retention rates by age and gender in selected OECD countries, 1997-2002^{a, b}
Percentages



Source: Austrian Labour Force Survey March; European Labour Force Survey; Job Tenure supplement to the US Current Population Survey. – ^a) 1998-2003 data for Austria. – ^b) Retention rates refer to the proportion of workers in 1997 who were still in the same job five years later in 2002. The age groups refer to a worker's age in 1995. The data are based on labour force surveys covering all workers.

In contrast, Australia has a fairly low retention rate with the same employer in international comparison⁵. For example, based on data for 1998, in Australia 60 percent of male workers aged 50-54 will still be working for the same employer four years later compared to 65 percent in Austria (bearing in mind its higher exit rate compared to Australia), 78 percent in Finland, 71 percent in Germany, 69 percent in the United States and 67 percent in the United Kingdom (a similar result holds for women). In the age group 55-59, a comparable pattern is shown.

In international comparison, the Australian retention rates are below most OECD countries. The UK, the country with the lowest retention rates of older workers in Europe, has higher retention rates than Australia. This reflects the higher turnover of labour in Australia compared

⁵ These retention rates are estimated using cross-sectional data on job tenure at four-year intervals for pseudo-cohorts of workers rather than from directly observing job retention using longitudinal data.

to those of other countries. The low retention rates may not only be the result of greater industrial/occupational mobility job flexibility but also greater regional mobility within Australia.

Table 16: Strictness of employment protection in 2003

Weights	Regular contracts			Temporary contracts		Collective dismissals 2/12	Overall indicator
	Regular procedural inconveniences 1/3	Notice periods and severance pay 5/12 1/3	Difficulty of dismissal 1/3	5/12			
				Fixed-term contracts 1/2	Temporary work agencies 1/2		
Australia	1.5	1.0	2.0	1.3	0.5	2.9	1.5
Austria	2.5	0.9	3.8	1.8	1.3	3.3	2.2
Belgium	1.0	2.4	1.8	1.5	3.8	4.1	2.5
Canada	1.0	1.0	2.0	0.0	0.5	2.9	1.1
Czech Republic	3.5	2.7	3.8	0.5	0.5	2.1	1.9
Denmark	1.0	1.9	1.5	2.3	0.5	3.9	1.8
Finland	2.8	1.0	2.8	3.3	0.5	2.6	2.1
France	2.5	1.9	3.0	4.0	3.3	2.1	2.9
Germany	3.5	1.3	3.3	1.8	1.8	3.8	2.5
Greece	2.0	2.2	3.0	4.5	2.0	3.3	2.9
Hungary	1.5	1.8	2.5	1.8	0.5	2.9	1.7
Ireland	2.0	0.8	2.0	0.8	0.5	2.4	1.3
Italy	1.5	0.6	3.3	2.5	1.8	4.9	2.4
Japan	2.0	1.8	3.5	0.5	2.0	1.5	1.8
Korea	3.3	0.9	3.0	0.8	2.6	1.9	2.0
Mexico	1.0	2.1	3.7	2.5	5.5	3.8	3.2
Netherlands	4.0	1.9	3.3	0.8	1.6	3.0	2.3
New Zealand	2.0	0.4	2.7	1.5	1.0	0.4	1.3
Norway	2.0	1.0	3.8	3.3	2.5	2.9	2.6
Poland	3.0	1.4	2.3	0.0	2.5	4.1	2.1
Portugal	3.5	5.0	4.0	1.8	3.8	3.6	3.5
Slovak Republic	5.0	2.7	2.8	0.3	0.5	2.5	2.0
Spain	2.0	2.6	3.3	3.0	4.0	3.1	3.1
Sweden	3.0	1.6	4.0	1.8	1.5	4.5	2.6
Switzerland	0.5	1.5	1.5	1.3	1.0	3.9	1.6
Turkey	2.0	3.4	2.3	4.3	5.5	2.4	3.5
United Kingdom	1.0	1.1	1.3	0.3	0.5	2.9	1.1
United States	0.0	0.0	0.5	0.0	0.5	2.9	0.7
OECD average	2.2	1.7	2.7	1.7	1.9	3.0	2.2
Difference to average	0.3	-0.8	1.1	0.1	-0.6	0.3	0.1
Rank for Austria	18	5	24	16	13	18	16

Source: OECD (2004), Summary indicators.

The higher job security of older workers in Austria may reflect the seniority employment prevailing in Austria which may be an explanation for the lesser employment flexibility. A further explanation, reflected in Table 15, shows the greater strictness of employment protection in Austria and many other OECD countries compared to Australia. The limited regional mobility in Austria, which is one of the lowest in Western Europe (Huber, 2005), may also reflect the high retention rate. In addition, the high employment retention up to a certain mature age in Austria relative to other OECD countries is explained by the high employment share of public sector employment, particularly for older workers (administration, health, education) and the high job security public sector employees enjoy. Women aged 50-54, for example, have 23 years average tenure in the public sector,

compared to 14 years in the private sector –the latter figure being close to that in other countries. The relative advantage in pay and employment security of public sector employees increases with age, especially for women.

To a certain extent high job security of older workers may give rise to an insider-outsider problem. While the retained older workers profit in terms of income and job security, those older workers who become unemployed find it very hard to get a new job. This trade-off is difficult to resolve in the context of labour supply policies (such as closing early retirement pathways) and explains why they have to be complemented by policies acting on the demand side (e.g., a reduction in seniority wages and non-wage labour costs, complemented by employment and wage subsidies).

Job hiring intensity declines with age

Once out of the job, it is easier for mature workers to be re-employed in Australia than in Austria. This can be seen from relative hiring intensities by age (Table 16). The relative hiring intensity is calculated as the hiring rate for a specific age group divided by the hiring rate for all employees.⁶ If this ratio equals unity, the hiring intensity corresponds to the average in the workforce. It is interesting to observe that while the hiring rate of older workers in Australia is higher than in Austria, the opposite holds for retention rates in the two countries. This suggests that when the employment of older workers can be terminated more easily, there is less resistance from employers to the hiring of older workers.

Accordingly, hiring intensities decline with age in all OECD countries; they are highest in Korea (0.79) and lowest in Austria (0.07). Older workers in Australia have the fourth highest hiring intensity (together with Greece) in the OECD area (0.48).

⁶ The hiring rate is calculated as the share of all employees with tenure of less than one year.

Table 17: Relative hiring intensity by age in selected OECD member countries, 2000
Ratio of the hiring rate for employees in each age group to the hiring rate for employees of all ages^a

	15 - 24	25 - 49	50 - 64
Australia	1.76	0.89	0.48
Austria	4.73	0.43	0.07
Belgium	3.56	0.81	0.24
Czech Republic	2.64	0.89	0.43
Denmark	2.24	0.89	0.41
Finland	2.87	0.83	0.36
France	3.35	0.86	0.3
Germany	2.47	0.92	0.4
Greece	2.74	0.85	0.48
Hungary	2.38	0.87	0.4
Iceland	2.16	0.86	0.3
Ireland	2.07	0.76	0.38
Italy	3.06	0.88	0.38
Japan	3.56	0.71	0.51
Korea	2.26	0.83	0.79
Luxembourg	3.34	0.89	0.14
Netherlands	1.94	0.91	0.35
Norway	2.66	0.9	0.31
Poland	2.93	0.84	0.54
Portugal	2.41	0.82	0.33
Spain	2.35	0.87	0.38
Sweden	2.99	0.98	0.34
Switzerland	2.45	0.88	0.33
United Kingdom	2.38	0.85	0.46
United States	2.36	0.84	0.43
Unweighted average	2.71	0.84	0.38

Source: Australian Bureau of Statistics, Labour Mobility Survey; Ministry of Health, Labour and Welfare, Basic Survey on Wage Structure, for Japan; Ministry of Labour, Survey Report on Wage Structure, for Korea; US Department of Labor, Bureau of Labour Statistics, Job Tenure Supplement to the Current Population Survey; and Eurostat, European Union Labour Force Survey, for the other countries. – ^a The hiring rate is defined as the share of employees with tenure less than one year in their current job.

The age-earnings profile

For employment retention and chances of re-employment to be promoted, the age-earnings profile of older workers should largely match the age-productivity profile, i.e., the cost of employing older workers should match their contribution to the value added of the firm. However, in practice, while the costs of workers to the firm are fairly easily established, their contributions to the firm's revenue are not.

The theory of human capital accumulation assumes that productivity is an increasing function of age due to on-the-job training and learning by doing until a certain point. Productivity falls thereafter as investment in human capital tends to decline with age and/or as new technology is introduced which reduces the comparative advantage of experienced workers (vintage effect).

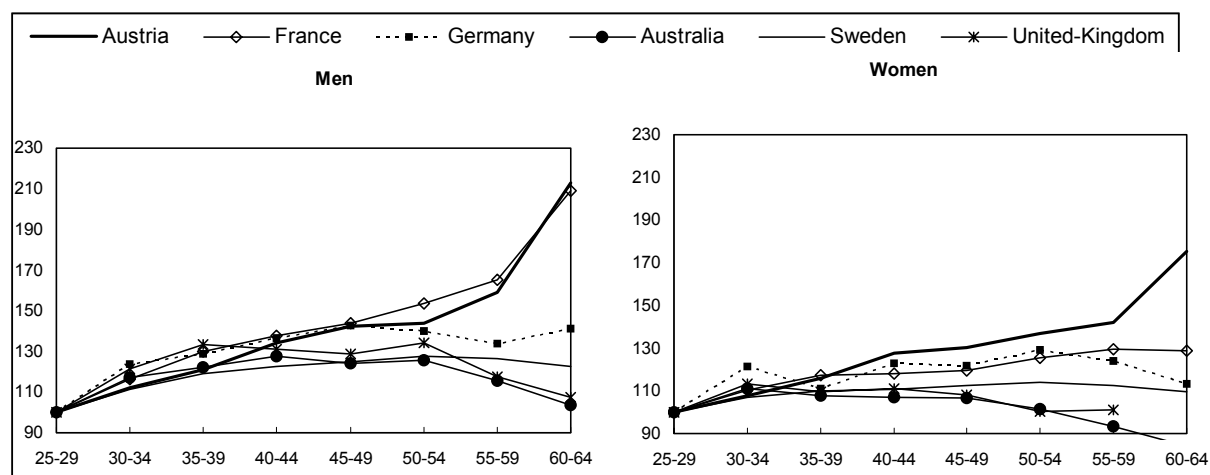
Figure 6 shows that the age earnings pattern starts to diverge between countries from the age of 50 onwards. In international comparison, Austria has very steep age-earnings profiles, very similar to France, particularly in the case of men, while Sweden has a very compressed earnings structure by age. In contrast, the age-earnings profile of Australia is one of the flattest in the OECD. Earnings of full-time male workers rise with age until around the age of 40-44 and then decline. For women, the age-earnings profile is even less steep and peaks already in the age group 30-34. As in the United Kingdom, relative earnings for Australian men fall steeply from the age of 50 and onwards and reach one of the lowest relative levels in the OECD. For women, age-earnings profiles are not only flatter in Australia than elsewhere, but they also drop faster than in most other OECD countries. For women aged 60-64, their relative earnings fall to as low as 84 percent of the comparison of 25-29 year olds.

Prima facie, this would suggest that wages of older workers could be on average out of line with their productivity in Austria and France compared to Sweden or Australia. The limited, if at all, decline of earnings of older employees in cross-section studies may, however, also be the result of a selection bias, i.e., older workers who remain in employment are the most productive and may have received training and who are not representative for the whole age group⁷. On the basis of longitudinal data, i.e., matched employer-employee panel data (Crepon *et al.*, 2003 for France, Haegeland and Klette, 1999 for Norway) productivity declines with age and the less productive tend to exit employment in their 50s. Various factors may be responsible for this result: older workers may be to a larger extent employed in less efficient firms and/or in industries with small gains in productivity or where physical requirements dominate. It may also be the result of a bias in the choice of workers by employers in favour of young workers whose employment may be more easily terminated than that of older workers.

Of course, wages depend strongly on educational levels, and if there are larger differences in education levels between different cohorts in one country compared to another, this could affect the age-earnings profiles. Controlling for education results in a more compressed wage structure for the less educated than for the highly educated. For Australia, for both men and women with tertiary education, the profiles are flatter than in most other countries and start to drop earlier as well (OECD, 2005). This is quite surprising since job performance in more professional and qualified occupations is less likely to deteriorate with age as rapidly as in more physically demanding and qualified jobs.

⁷ The selection bias of mature age employment has been at the centre of research for some time, see Parsons (1996) and Johnson and Neumark (1996) for a literature survey.

Figure 6: Age-earnings profiles in Austria and selected OECD countries, 2000^a
 Index: Earnings of 25-29 year olds = 100



Source: Austria: Microcensus and "Wage Tax Statistics" (MZ Lst Data); France DADS; Germany: German socio-economic panel; Netherlands: Statistics Netherlands; Sweden: Statistics Sweden; United Kingdom: Labour Force Survey. – o) 2001 for Austria.

Thus, age-earnings profiles indicate that Australia has a much more compressed wage structure than Austria. If the age-earnings profiles reflect correct productivity differences by age, it would suggest that Australian older men and women are less productive than younger workers. However, it may well be that earnings of older workers fall more than their productivity; this would provide an incentive for employers to retain older workers. However, the work effort and incentive of older workers may be negatively affected by the low wage rates, unless the opportunity cost of work, i.e., welfare benefits, are significantly lower and subject to means testing. This appears to be the case in Australia, thus making work beyond a certain mature age pay.

It is thus arguable that the low employment rate of older workers in Austria may at least partly be attributable to the divergence of productivity and wages at older ages, particularly at the medium-skill level, the other major reason being the financial incentive to early retirement.

This raises the question of the extent to which seniority rules account for the asymmetry between productivity and age-wage relationships. Practically all collective agreements in Austria include age and length of employment within a firm as factors to be taken into account in the wage structure. Proper wage ladders, i.e., a linkage of (minimum) wage rises with tenure (time with the firm) are the rule in white-collar occupations and in some blue-collar occupations in large-scale industry. Consequently, industries with high shares of white-collar employees are affected by seniority wage schedules. The most important industries in

this respect are banking and insurance and other business services, trade, education and, of course, the public sector. Accordingly, somewhat more than 60 percent of wage and salary earners (including civil servants) have seniority wage schedules.

This is in contrast to Australia, where age-related ladders are less common, particularly in the private sector. In a study of the pay system of a large public enterprise, seniority was rated last as the preferred method of pay adjustment (Brown, 2001:17).

Education and training

In response to shifts in the structure of demand across sectors and firms, the adaptation of skills is crucial to facilitate continued employment, particularly for older workers. The rapidity of these changes and the sluggish training and workplace responses to them, may have contributed to the decline in the employment rate of older workers, especially among the unskilled. It is largely in this context that lifelong learning becomes a necessity. It prevents people from becoming marginalised for lack of skill, it helps to find and retain a job, securing a decent income, and being socially included.

Proportion of population with different education levels

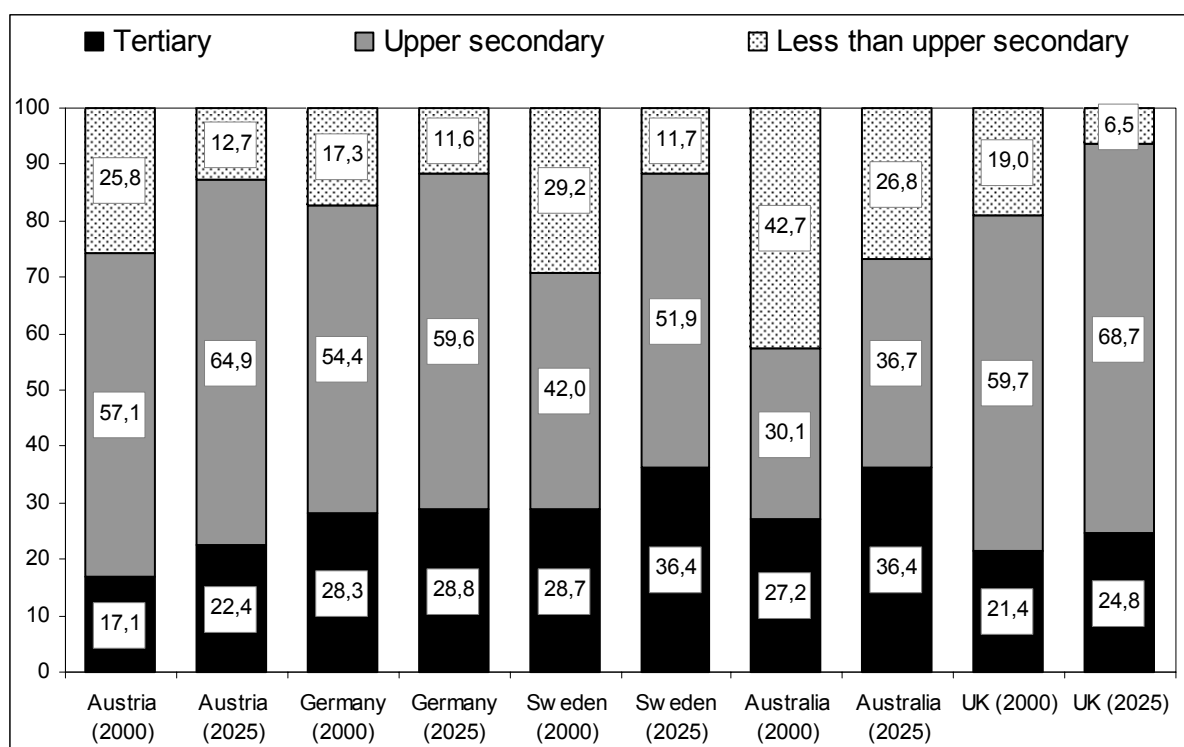
The two countries, Austria and Australia, provide interesting differences in respect of the proportions of the mature populations with different levels of education (Figure 7). While Australia has a significantly higher proportion of persons with high level (tertiary) and low level (less than upper secondary) than Austria, the latter has a substantially greater proportion of persons with medium level (upper secondary) education, particularly vocationally oriented. This reflects the tight linkage of the Austrian initial education system with labour market needs. Apprenticeship education and training is the dominant form of upper secondary education. With the declining manufacturing sector, particularly older tradesmen and unskilled and semiskilled workers lose their jobs and face problems of re-employment. Mature women have particularly low educational attainment levels, one major reason for their low activity rates.

This situation will not change for some time to come. Even though the future older workers will have better qualifications and training than the current cohorts, the proportion of high-skilled workers will remain low in Austria in international comparison. This has also to be seen in the context of a constant inflow of unskilled immigrants, basically as a result of family reunion and refugee intake, and an underinvestment in higher education on the part of second and third-generation migrants.

In contrast to Austria, Figure 7 indicates that there is likely to be a dramatic improvement in the average education level of older workers in Australia over the next decades. While the large proportion of low skilled workers in Australia today is a source of concern because they tend to make up a large proportion of unemployed persons, young and old, the future is

hopeful. By 2025, the share of all older workers in Australia with less than an upper secondary education is expected to fall from 43 percent to 27 percent – still significantly larger compared to the other countries in the comparison⁸. And more than 36 percent will have a tertiary education. This rise in the average educational attainment could improve employment prospects of older workers significantly.

Figure 7: Education level of older workers in selected OECD countries, 2000 and 2025
Percentage shares of labour force aged 50-64 by level of educational attainment



Sources: For 2000, OECD, Education at a Glance; for 2025, OECD estimates based on the data for 2000 and obtained by applying participation rates by educational attainment, gender and 5-year age group for the population aged 50-64 to the corresponding population

Participation in training

Technological change has increased the need for more skilled and functionally flexible workforces. Since job requirements are continually changing, individuals have to regularly acquire new skills and upgrade their existing ones. Hence, it is vital that workers of all ages have reasonable opportunities for vocational education and training and lifelong learning

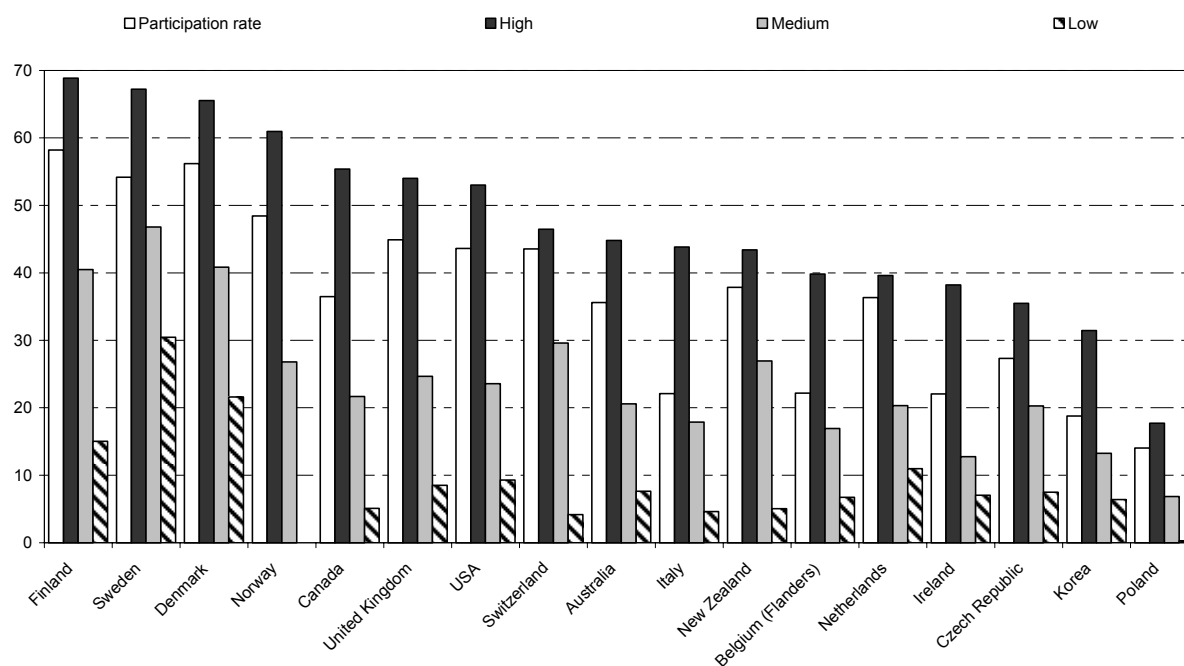
⁸ These extrapolations were based on data for 2000 and obtained by applying participation rates by educational attainment, gender and five-year age group between the ages 50-64 to the corresponding population aged 25-39.

activities. In this respect, adult learning and training can play an important role in addressing the lack of formal education or acquisition of basic skills that may be a source of persistent labour market disadvantage for workers as they age.

In Austria, according to the European labour force survey, training participation in 2003 was close to the European average for the population in the 50-64 age group (at 5.8 percent, the question being: Have you received some education or training in the past four weeks). The Nordic countries, Switzerland and the United Kingdom invest considerably more in further education and training of older people, Southern European countries less.

Although the level of training differs significantly across countries, the incidence of training for older workers is always lower than the incidence for prime-age workers. In Australia, some 35 percent of mature workers received some kind of education and training in the course of the year 2001. The extent of training of older workers is thus in the intermediate range of OECD countries. Only a small proportion of older workers with a low initial educational level are included in training activity (Figure 8).

Figure 8: Incidence of training by educational attainment of "older workers", 2001



Source: International Adult Literacy Survey (IALS) 2001. Incidence refers to training received at some stage during the 12-months period prior to the survey.

What constitutes training may be a loose term. Quite clearly, although Australia is below many other in the incidence of job-related training, the gap between the 25-49 and the 50-64 age groups is great. This suggests that older workers may be discriminated against in

training, possibly because a larger proportion are part-time, have a lower education background and are less able to profit from job training. On the other hand, it may well be that because of their greater work experience and some having had training earlier in their work career, training of older workers is less warranted. Table 13 lends some support to this view as it indicates that only a comparatively small proportion of older workers, namely 15 percent, is working as labourers or in elementary clerical and other services positions.

Figures for Australia and a number of other countries, but not including Austria, show that average duration of training and duration per employee, all fall that across age-groups. Significantly, the fall is especially great for duration of training, a fact which further reduces the effective impact on the skills of mature workers reflected in their participation rates (O'Connell, P.J., 1999). The figures also show that the incidence of training is significantly greater in the larger enterprises and that funding comes largely from employers.

Health issues

It is increasingly acknowledged that health is not only a major determinant of individual well being but also of economic growth. Almost half of Centre link recipients surveyed in Australia claimed that an ongoing medical condition, illness or addiction made it difficult for them to find a job or affected their ability to work (Carlile et al., 2002). In the context of an ageing society, the relationship between health and economic growth deserves particular attention. The challenges are to prolong the work ability and actual employment rate of older workers and in so doing to reduce the pressure on public pension funds and public spending on health care.

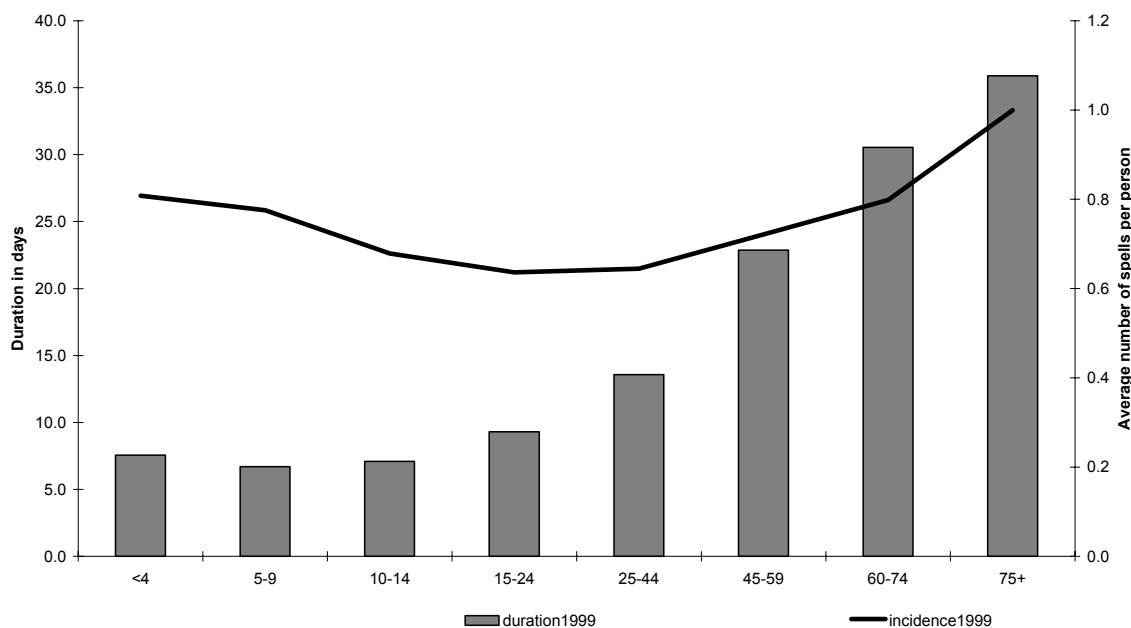
The factors responsible for a healthy work force are many: the work environment and working conditions, personal health care, and access of every member of society to the basic ingredients of well being as well as education, income, housing, nutrition, play a major role. The question about how the causality runs – from good health to economic growth or from economic growth to health – is not clear, but it probably runs in both directions. However, economic growth on its own does not ensure the improvement of health of the population. Special measures need to be put in place to ensure that all people may have access to a healthy and safe work environment and good health care.

According to some of the main health indicators, the health of the Austrian population tends to be either around the EU average or somewhat better, while Australians appear to be even more fortunate.⁹ In Austria, it is the health status of young and prime-aged persons which is

⁹ For example, the life expectancy at birth: 75.4 years for men (Australia 76.6) and 81.2 years for women (Australia 82) compared to an EU average of 75.3 and 81.4 years respectively in 2000. The relative mortality rate (adjusted for the age structure) declined in Austria by 18 percent between 1970 and 1995; this was a somewhat faster decline than in the EU on average (*European Observatory on Health Care Systems*, 2000); Health expenditures are with 7.7 percent of GDP

comparatively good, but less so of older persons. According to an Austrian household survey, older persons are also more days in a year sick (morbidity rate) than prime age persons, i.e., 50-64 year-olds are on average 20 days of the year sick compared to 10 days of prime age persons (1999 microcensus, Figure 9)¹⁰.

Figure 9: Incidence and duration of a spell of sickness in Austria, 1999



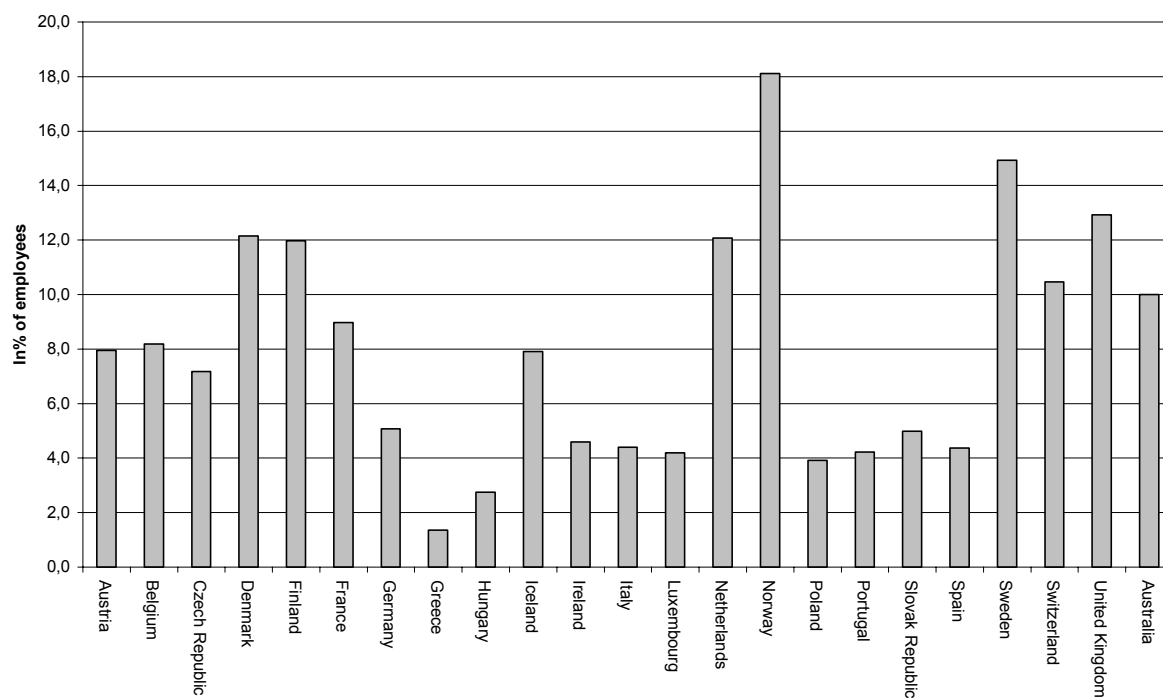
Source: Statistics Austria, Microcensus 1999, own calculations.

Figures for absence from work due to illness are available from household surveys in Europe as well as Australia. They are based on absence in the two weeks prior to the labour force survey (incidence of own sickness); accordingly they do not provide insight into the number of days and hours of work lost per year due to illness. These surveys indicate, however, the relative position of Australia compared to Europe. The incidence of absence in the survey period is somewhat higher in Australia than in Austria. For the 15-64 year olds it amounted to close to 10 percent of employees compared to 8 percent in Austria. The Nordic countries as well as the Netherlands, UK and Switzerland had higher absence incidence rates than Australia in 2001 (Figure 10).

somewhat below the OECD average of 8.6 percent of GDP in 2001, while they correspond to the EU average in Australia.

¹⁰ In Austria, 3.9 percent of the labour volume of wage and salary earners were lost due to sickness in 2000, compared with an unemployment rate of wage and salary earners of 5.8 percent. This is an indicator of the cost element sickness absence constitutes for the employer.

Figure 10: Absence from work due to own illness in Europe and Australia, 2001



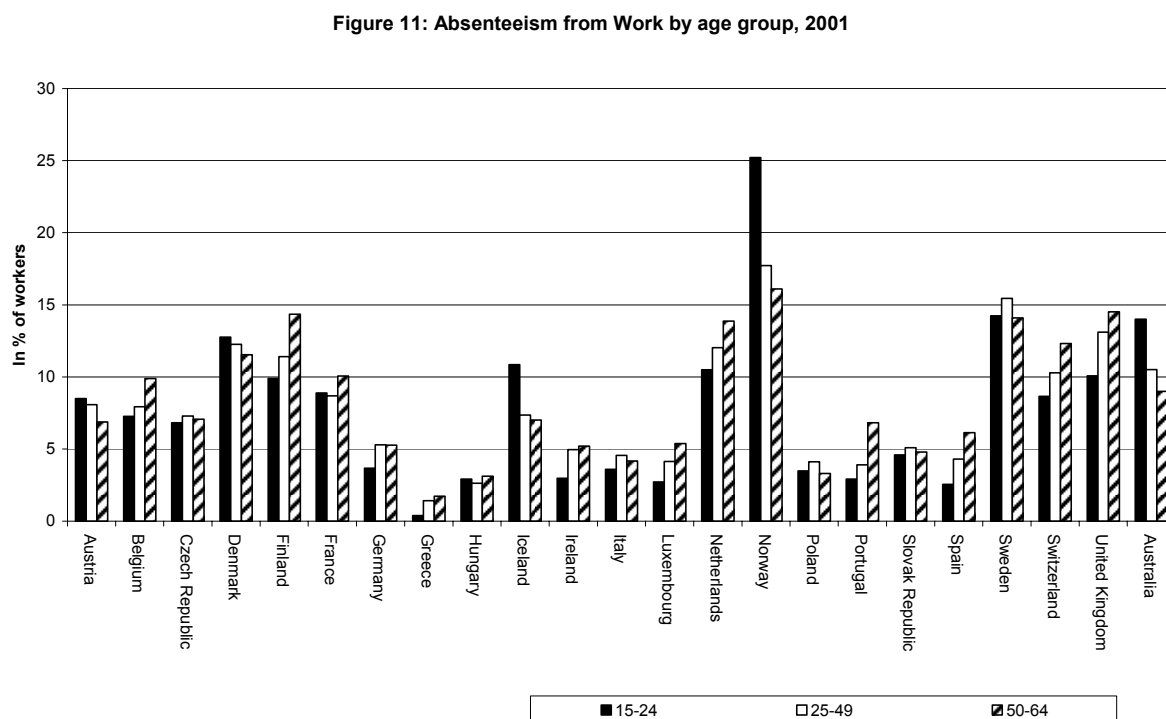
Source: European LFS and ABS-LFS proportion of employees absent from work due to own sickness in the two weeks before the survey.

It is interesting to note that the incidence rate by age does not exhibit the same pattern across countries. While there are countries with declining incidence rates with age, e.g., Austria and Australia, there are others with rising rates with age, e.g., the Southern European countries, UK and Switzerland, and still others with no unidirectional age pattern (Figure 11).

While the incidence rate over a short period of time (one or two weeks before the survey) does not suggest that ageing is necessarily linked with higher absence rates of older workers from the job due to sickness, this does not any longer hold if sick days over a year are calculated.

Data for Austria shows that the morbidity rate is higher for older persons as a result of more cases of sickness (higher frequency) over the year and longer spell durations, i.e., a longer recovery period from illness. The higher morbidity rate of mature persons is also the result of the combined effect of a lower educational attainment level (one third of the difference) and higher age specific morbidity (two thirds of the difference), *Biffl (2005)*.

Figure 11: Absenteeism from work by age group, 2001

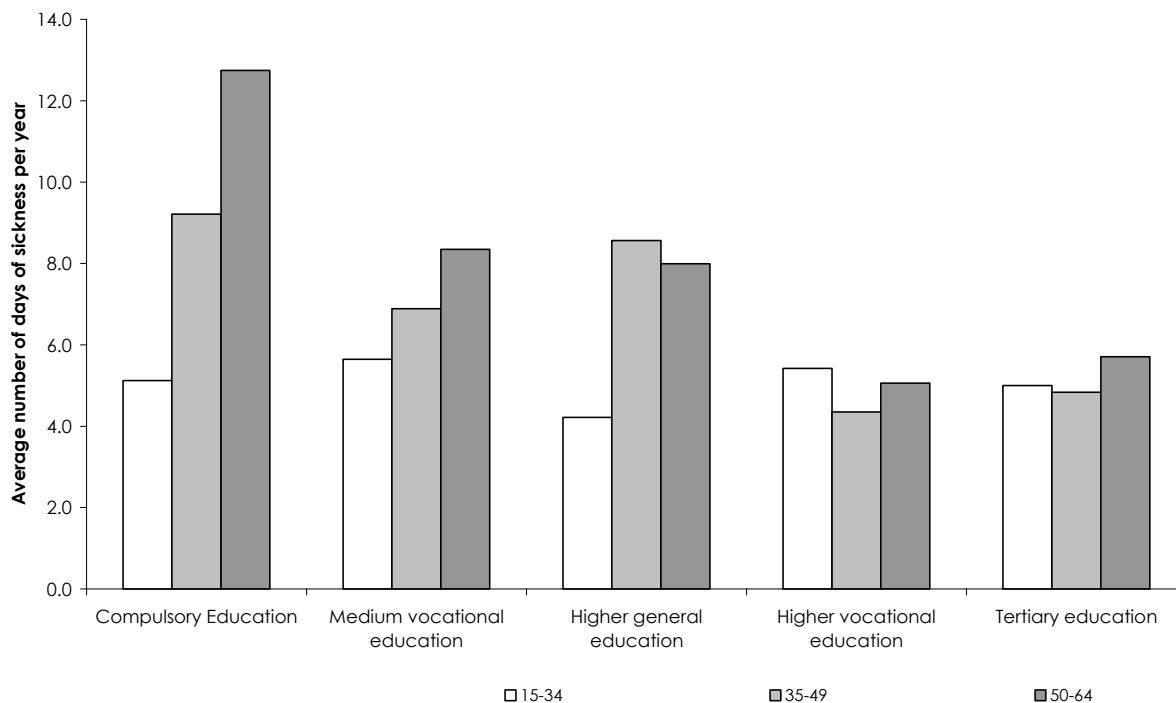


Two major socio-economic factors impact on health, i.e., the educational attainment level and the employment status. In general, there is an inverse relationship between the morbidity rate and the level of educational attainment. The means by which education may influence health is the life style adopted, arising from greater awareness of the role of nutrition, smoking, physical exercise, frequency of getting medical advice for one's health. This may be expected to be less accessible to persons with lesser education. Another factor that may link the morbidity rate with the educational attainment level, is the type of work and work related stress and diseases open to people with different educational backgrounds. Yet another aspect may be that persons with health problems/handicaps tend not to move up the educational ladder to the same extent as healthy ones (Figure 12).

Apart from education, the morbidity rate differs by employment status (Figure 13). It is a fairly universal feature that morbidity rates are higher for unemployed than for employed persons¹¹. In Austria, the morbidity rate of unemployed mature workers is more than double that of equally aged employed workers (14 versus 32 days per year).

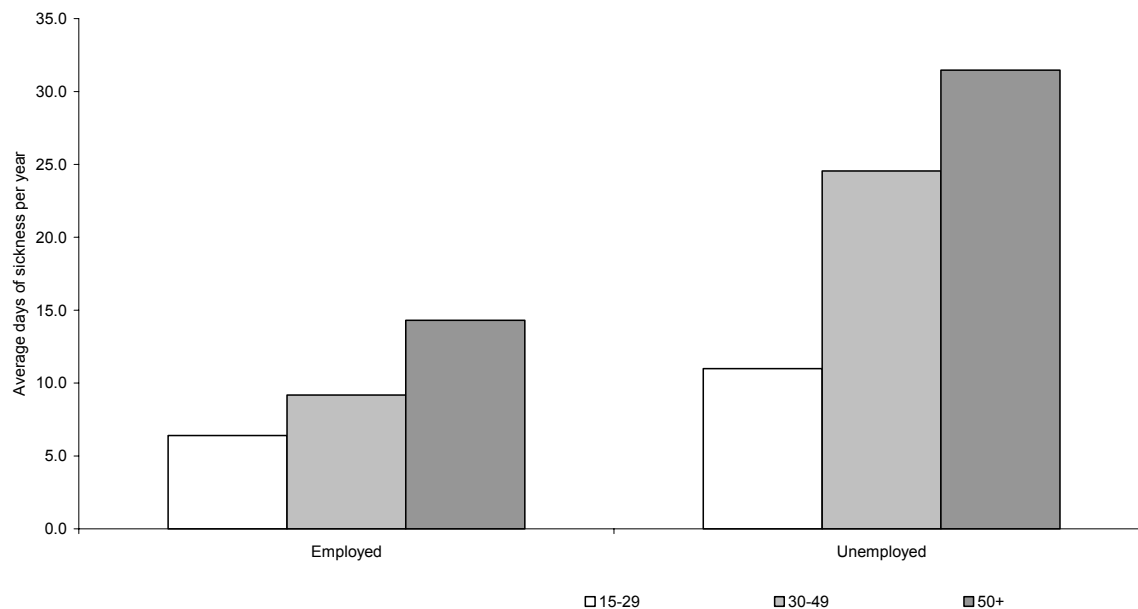
¹¹ For more literature see *European Commission (2003); Mesrine (2000)* as well as *Gerdtham and Johannesson (2003)* point out that also the mortality rate is higher for the unemployed than the employed of equal age.

Figure 12: Morbidity rate by age and educational attainment level in Austria, 1999



Source: ST.AT.-MZ 1999_03.

Figure 13: Morbidity rate by age and employment status in Austria, 1999



Source: ST.AT., WIFO.

The causal factors are subject to continued debate. Economic theory suggests that the positive relationship between the morbidity and unemployment rate is the result of the interaction of various behavioural aspects on the labour demand and supply side. In addition, screening of the employed by their health or absentee record in case of layoffs may also play a role. This is to say that in the course of micro-economic reform, structural change and cyclical downturns, persons with a bad health record may be amongst the first to be made redundant. Unemployment per se may act as a psychological stress factor and with rising duration of unemployment exacerbate health problems.

Self-assessed health

Subjective health measures may be used as an indicator of well-being by age and gender¹². According to the 2001 ABS National Health Survey (cat. no. 4828.0.55.001), 82 percent of those aged 15+ assessed their health as good, very good and excellent in Australia. This proportion is low in EU comparison. The proportion of the population over 15 which said that their health is good, very good and excellent, was 89 percent in the EU(15) in 2002; only Portugal and Germany had similarly low levels as Australia (81 percent). In Austria as well as in Finland, only 7 percent of the people over 15 said that they had bad or very bad health; Belgium, the Netherlands and Ireland had even lower shares.

But the percentage of people with self-assessed good or very good health declines with age. In the case of Australia, the figure for men was 60 percent for the 25-34 age-group, while it was just under 50 percent and 40 percent respectively for the 45-54 and 55-64 groups.

The situation is not much different in Europe. As with morbidity and mortality rates, the proportion of persons with bad health is highest amongst persons with low educational attainment level and lowest for persons with tertiary education (*Eurostat, 2002, European Commission, 2003.*)

Evidence on job-related health problems

An ABS survey in 2000 showed that, overall, twice as many men as women workers suffered a work-related injury or illness. Of those who experienced a work-related injury or illness over a 12-months period, 28 percent were in each of the 25-44 and 45-55+ age groups. The group with the highest incidence was the 35-44 age group (58 per 1000 persons) while the incidence of groups 20-34 and 45-59 was similar at 48-50 per 1000 (ABS, *Work Related Injuries*, cat. no. 6324, Oct. 2001). Overall, on an OECD comparative basis (Figure 14), Australia does not seem to be doing as well as Austria, judging by the accident rate at work. Australia has

¹² 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, Maddox and Douglas, 1973, Ferraro, 1980) and good predictors of mortality and morbidity (Mossey and Shapiro, 1982, Idler and Kasl, 1995, McCallum, Shadbolt and Wang, 1994).

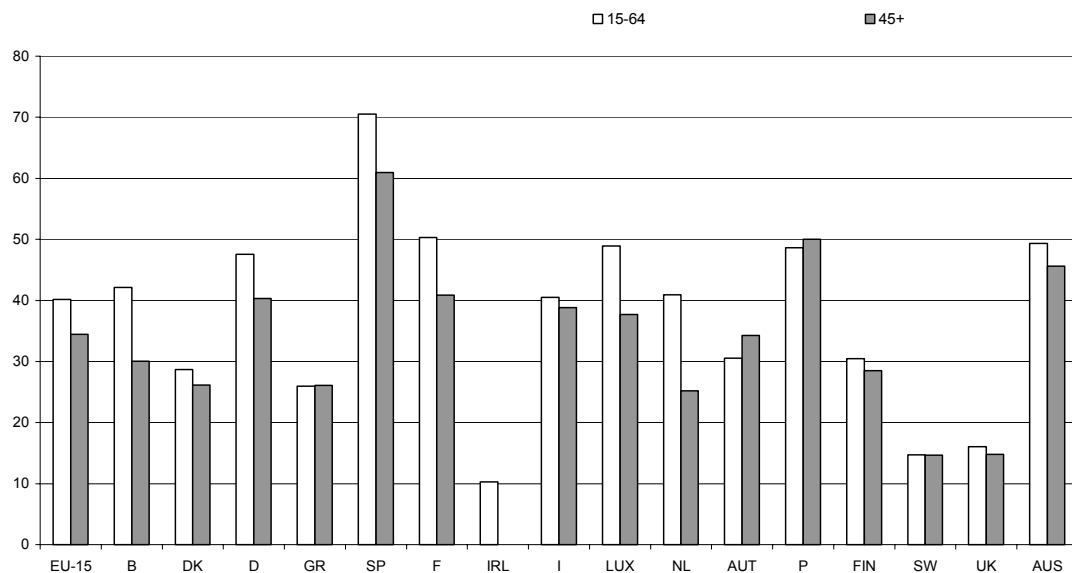
had 49.3 work accidents per 1000 employees in 2000, which is somewhat more than the EU average of 40.2, while Austria has even less, with 30.56 work accidents per 1000 employed. However, older workers (45+) have an above average accident rate in Austria (34.3), while the contrary is true in the case of Australia (45.6). Thus, the likelihood of older workers in Austria being more accident-prone than younger ones may be the result of a substantial difference in the deployment of older and younger workers by industry and task, older workers being concentrated in occupations with higher accident risks. It may also be linked to the lower skill level of older workers and the high proportion in manual jobs (*European Commission, 2004*). Why the situation is reversed in Australia, deserves further research. Mature workers are less often in jobs with a high accident risk, possibly because of higher vertical or lateral mobility of workers in Australia as they age (Figure 14).

However, for Australia, the age distribution of disabilities that resulted in compensation claims, show a somewhat different picture (*National Health and Safety Commission, Compendium of Workers' Compensation Statistics, Australia, 2001-02*). Both in terms of incidence and frequency rates of new cases for 2001-02, there is a noticeable increase by age especially after age 50. Incidence per 1000 employees increases from 9 cases for the less than 20 years age group to 17 cases for those between 20 and 50 years and to close to 20 cases for the 50+ year-olds. Frequency per million hours worked increases for the same age groups from about 8 to 10 and to 12 cases respectively. The time lost from work are not classified by age but on average 9.3 weeks were lost with the median figure being 3.4 weeks. While it is difficult to compare compensated days lost due to illness/injury across countries due to the institutional/ administrative character of data, the Australian figures appear to be similar to Austria and Finland (18 and 20 days a year respectively), and somewhat lower than in Spain (24 days a year).

In Australia, the distribution of incidence and frequency by industry were similar, but no age distribution figures were published. The lowest total figures were for finance and insurance, property and business services, and education. The other industry groups showed similar incidence and frequency, the higher numbers being in agriculture, forestry and fishing, mining, manufacturing, and transport and storage. The industry structure of accidents per 1000 employees is similar in Austria, the highest rates being in construction and some manufacturing industries, but they are also high in health and social services, with somewhat higher rates than in agriculture and forestry (Figure 15).

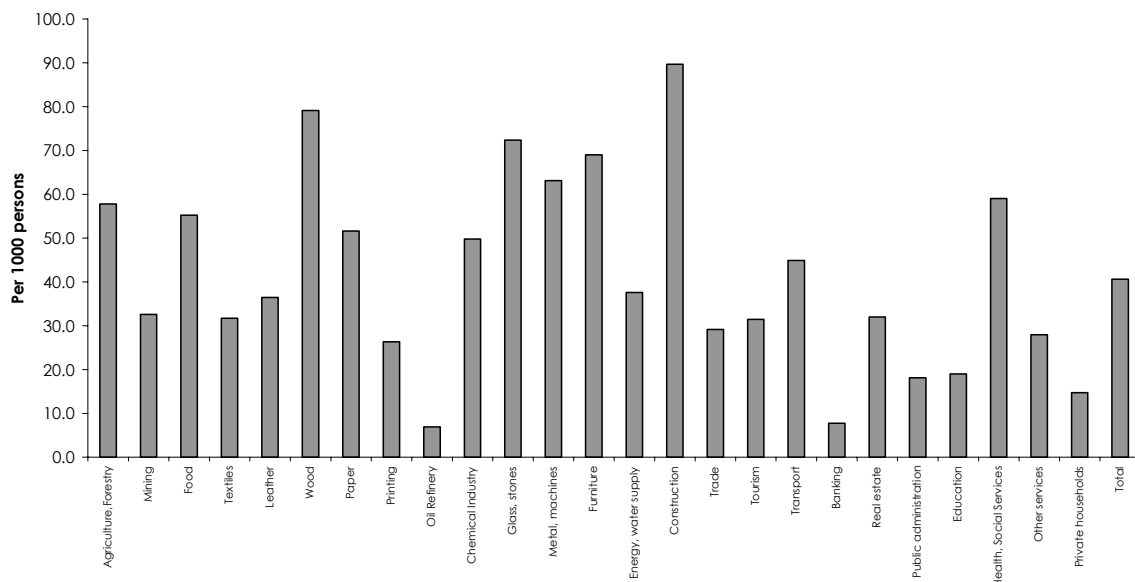
In terms of incidence and frequency of occupations, the highest number of workers compensation cases are for transport and related workers, intermediate production and transport workers, and labourers and related workers.

Figure 14: Work accidents with more than 3 days absence per 1000 employees, 2000



Source: Eurostat – European statistics on accidents at work (ESAW). For Australia ABS -Work related injuries (6324).

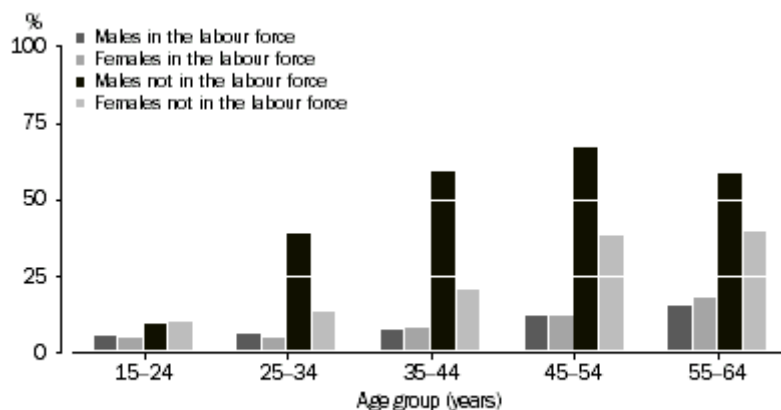
Figure 15: Recognised work injury rate by industry per 1000 employees in Austria, 2001



Source: Austrian Statistical Yearbook.

Figure 16 based on a 2003 ABS Survey, (*Australian Labour Market Statistics*, cat.6105.0, April 2005) shows that in Australia for both males and females not in the labour force because of disability, illness or injury, the proportion increases with age. The explanation for the significantly smaller percentage of inactive women is that some 76 percent of the 25-54 age-group reported that they were not working because of home duties or child care. Only 9 percent said they were looking for work (see also Table 2). The survey found that, for inactive males aged 25 to 54 years, disability, illness or injury were the main reasons for not working or looking for work, with 46 percent of males in that age group reporting these reasons for not participating in the labour force. The pattern of disability, illness or injury for those in the workforce is similar to those not in the workforce although at a much lower level.

Figure 16: Disability, proportion with a specific restriction or limitation, 2003



Source: ABS 2003 Survey of Disability, Ageing and Carers

Unpleasant working conditions

Attention has to be drawn to the possibility that health problems may be associated with unpleasant working conditions¹³.

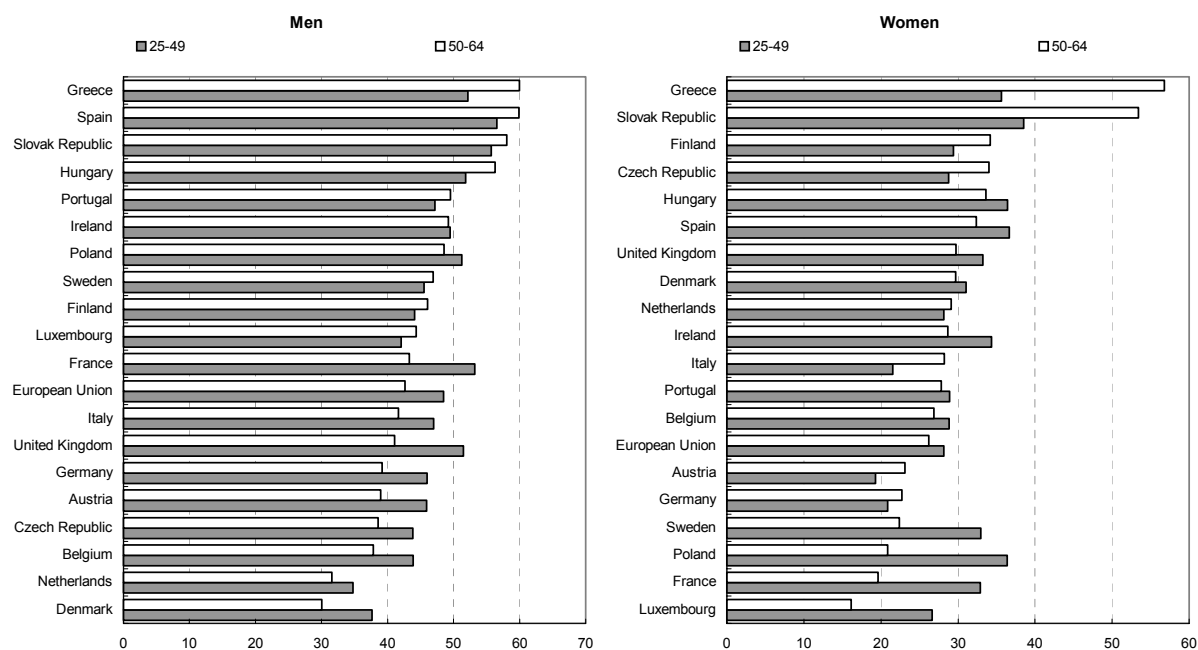
While the proportion of workers working in unpleasant working conditions is below average in Austria compared to the EU, fewer older men are working in an unpleasant work environment than prime age workers – 39 percent of 50-64 year-old men compared to 46 percent of all prime age men. The reverse holds for women, with 23 percent of older women working in an unpleasant work environment compared to 19 percent of 25-49 year-old women. The considerable difference in the extent of unpleasant working conditions of older workers by gender is related to the marked difference in the educational attainment of older men and women in Austria. Thus, older women are to a lesser extent than men in supervisory positions with less unpleasant work (Figure 17).

¹³ Our discussion is confined to Austria because no comparable data is available for Australia.

As the daily wear and tear of work makes itself felt only after some time of exposure, it should not come as a surprise that the incidence of job-related health problems is higher for older workers than prime age workers, the difference being 6.5 percentage points in the case of men, and 3.8 percentage points for women. In that context it is interesting to note that the proportion of older male and female workers having job-related health problems is about the same - 20.4 percent of all 50-64 year-old men and 23 percent of older women.

Figure 17: Unpleasant working conditions in EU comparison

Unpleasant working conditions



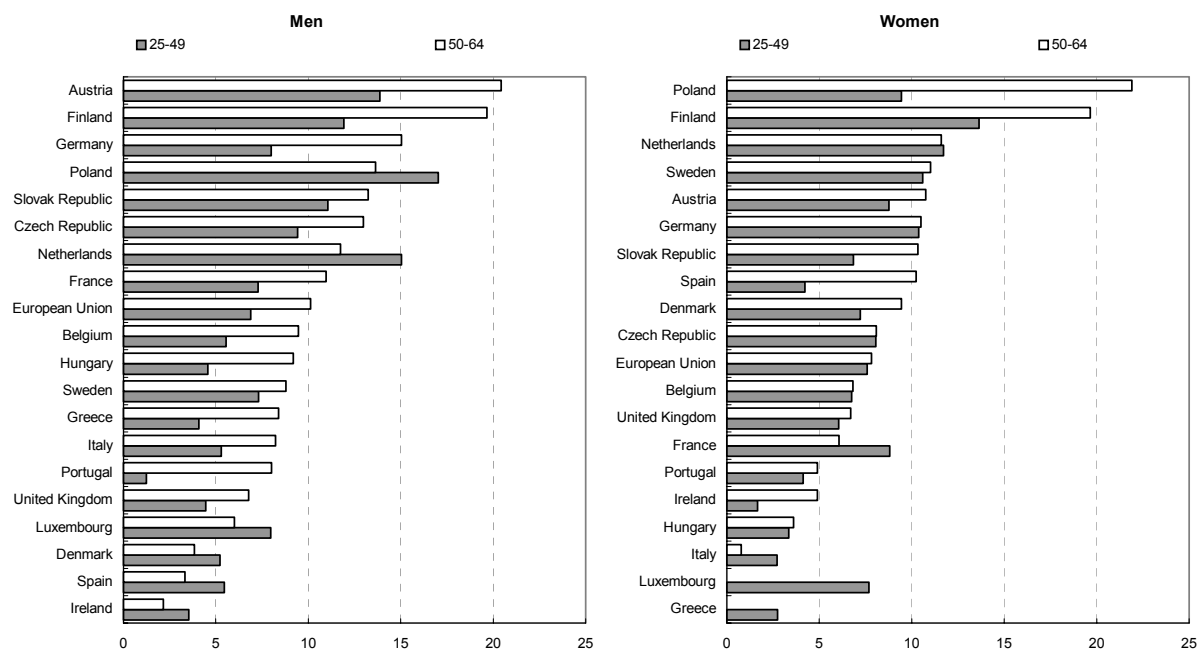
Source: European Working Conditions Survey. Workers reporting unpleasant working conditions refer to all workers who report that they are exposed during at least half of their working time to one or more of the following conditions: vibrations from hand tools or machinery; loud noise; high or low temperatures; breathing in vapours, fumes, dust or dangerous substances; handling dangerous products; or radiation such as X-rays, radioactive radiation, welding light or laser beams.

The reduction in the incidence of work related health problems over time is more pronounced for men, indicating that technological progress in the major employment sectors of men may have taken off some of the health hazard of jobs. Such progress may have been less in typical female jobs. Women tend to work largely in services with hard physical and/or mental stress, e.g., health-care services and cleaning. Technological change has not brought about a reduction in heavy work in these services to the same extent as it has in manufacturing jobs in which men are concentrated (Figure 18).

In comparison with other EU countries, the share of older men with job-related health problems in Austria is the highest, only matched by Finnish men. This is surprising in view of Fig 16. In contrast, older women are far worse off in other countries than Austria on the incidence

of job-related health problems. While Austrian older women are around the EU average in terms of job-related health problems, women in Southern and Eastern European countries and Finland are clearly worse off.

Figure 18: Job related health problems in EU comparison



Source: European Working Conditions Survey. Workers reporting absence of five days or more during the last 12 months because of work-related health problems.

More data on disability

An OECD study (2003) contains a number of interesting findings for the late 1990s:

- Employment rates of disabled over non-disabled persons fall significantly for the 50-64 age group compared to the 20-64 age group. The ratio is substantially lower for the older age group in Australia compared to Austria and the OECD (14) average – 0.45, 0.55 and 0.52 respectively (Table 3.4).
- The prevalence of disability rises with age and falls with educational attainment. For the 50-65 age group, disability is higher for Austria (27 percent) than Australia (24 percent), while in relation to educational attainment the figures for the two countries are respectively 18 percent and 17 percent for lower attainment, and 11 percent and 7 percent for higher attainment (Table 3.1).
- The proportion of persons on disability benefits in employment in Australia is about 10 percent, most of the rest being inactive. This is the lowest employment figure for the OECD (14) and compares with Sweden at the other end of the scale of about

65 percent, while the Austrian figure was about 13 percent and the OECD average was about 33 percent (Chart 3.7).

- The incidence of disability benefits was higher than unemployment benefits among persons with disability. Comparing Austria and Australia, the unemployment recipients made up 9 percent and almost 16 percent respectively while 19 percent and 27 percent were on disability-related benefits. The OECD (18) averages were 16 percent and 23 percent (Table 3.9).

Statistics on disability benefits also collected by the OECD (2003) provide an interesting comparison between Australia and Austria. In 1999, the expenditure on disability benefits in the two countries were respectively 0.86 percent and 1.75 percent of GDP (Table 2.1). This difference between the two countries is probably reflected in the following statistics:

- For Australia, only 2.8 percent of the 42 percent disabled persons who were employed received benefits, while the corresponding figures for Austria were 17 percent and 43 percent.
- Of the 56 percent of disabled persons who were not employed, 42 percent were on disability benefits in Australia; the corresponding figures for Austria were 42.5 percent and 57 percent (Table 3.6).
- Per capita benefits were very much more generous in Austria than in Australia – about 74 percent of per capita wages compared to about 27 percent, the OECD (20) average being 42 percent.
- Further, while in Austria, 7 disabled persons per 1000 of the population were in an employment disability programme (subsidised, supported and sheltered employment), the figure for Australia was 3.4, evenly divided between supported and sheltered employment compared to the greater concentration on subsidised employment in Austria (Table 5.3).

Although international definitions relating to disability may not be entirely consistent, these figures do suggest that Austrian disabled persons are treated more generously than their Australian counterparts. The legal requirement of employers to offer a certain proportion of jobs to disabled persons may be a major reason for the higher employment rate of prime age disabled persons in Austria, just as the sharp drop of the employment rate of older disabled workers may be attributed to comparatively easy access to disability pensions from a certain age onwards.

Income support and work incentive

How to balance adequate income support for those in need of it – a social protection objective – against the economic objective of ensuring an adequate work incentive in order

to increase labour force participation? This is one of the challenges of policy faced in most countries.

The Australian social protection system relies on a number of provisions.

Men 65+ and women 62.5+ (to be raised progressively to 65+) are entitled to the age-pension. This is maintained at about 25 percent of the total average weekly earnings figure for single males. It is subject to an income/assets test and about 50 percent of pensioners receive the full entitlement. Unlike the Austrian pension system and those of many other European countries, it is designed mainly to alleviate poverty for those at the statutory retirement age. The net replacement rate for those earning the equivalent of the Average Ordinary Time Earnings is only 32 percent while the rate for those earning 150 percent of this figure is barely 24 percent. Probably, because of the high effective marginal income tax rate, barely 2 percent of age-pension recipients also engage in paid employment. The application of household income test also imposes a disincentive for spouses of pensioners to seek paid employment.

However, more recently, in an attempt to negate this disincentive effect, single persons above pension age, pay no tax on incomes up to \$ 20,500, the amount rising to \$ 33,612 for couples. Further, to encourage persons reaching pensionable age to stay longer in the workforce, the Pension Bonus Scheme was instituted. This provides a tax-free lump sum for a maximum of five years at which time the cumulative bonus amounts to about \$ 27,000 for a single person and \$ 46,000 for a couple. Overall, a comparatively small number of persons (about 68,000) have registered under this scheme¹⁴.

In addition to the above schemes, there is the occupational superannuation scheme (Superannuation Guarantee)¹⁵ which relies on tax deductible employer contributions of 9 percent of the employees' earnings. The tax deductions are age-related, ranging from about \$ 14,000 for employees below 35 to about \$ 96,000 for those 50 and over. Prima facie, such tax deductibility provision could be expected to encourage employment of older workers. The entitlement under this scheme is not accessible before the age of 55, but this age is to be raised progressively to 60 by 2025. The entitlement has been drawn mostly in a lump sum rather than as an annuity to represent a pension. For many, the motive for such a preference is to reduce their mortgage and other debts and so reduce their assets and incomes in order to qualify later for the age pension.

¹⁴ We will argue later that greater scope exists for persons below the statutory retirement age to be retained in workforce and that efforts directed at raising the labour force participation rate are more profitably directed at this age group.

¹⁵ Employers of workers below age 18 and over 70, paid less than \$ 450 a month, and domestics working less than 30 hours a week are exempt from this provision.

To encourage saving, any (voluntary) personal contributions made by workers to their superannuation is subject to tax deduction. Further, any contributions made by those earning less than \$ 28,000 a year, is matched by government contribution up to \$ 1,500 a year.

Another source of welfare payment is unemployment benefit known as Newstart Allowance. This is subject to a means-test and an 'activity' test as part of 'mutual obligations' requirements for the unemployed – making a specified minimum number of job contacts fortnightly, participating in approved training, community work, accepting 'suitable' work offers etc. Penalties leading to loss of eligibility can result from non-compliance. These requirements are less stringent for older workers particularly those 60+¹⁶.

Finally¹⁷, for those disabled and unable to hold a full-time or part-time job, disability benefits and Disability Support Pensions (DSP), are available. For a large number of long term unemployed, the DSP has been a means to exit the labour force. The proportion of persons on DSP rises rapidly after age 50 – from 10 percent of 50 year-olds to 25 percent for 64 year-olds. Some 35 percent of the inflow into DSP comes from those on Newstart Allowance. The incentive to secure DSP is provided by the substantial differential (about 20 percent for single persons) in favour of the DSP as against Newstart; it is non-taxable and is subject to a more generous income test. Although those on DSP are allowed to be employed for up to 30 hours a week, barely 11 percent of them do so, compared with about one-third for the OECD average. The application of the household income test also discourages the spouses of DSP recipients from seeking paid employment.

There is also the Australian Wage Subsidy Scheme which subsidises employers for employing certain categories of disabled persons for at least 8 hours per week for at least 13 weeks with reasonable expectation of exceeding 13 weeks. The maximum subsidy is \$ 1,500 per placement (*Department of Family and Community Services, 2002*). The number of placements have so far been small.

On the above outline, the budgetary implications of the Australian welfare system, although not to be ignored, will be less burdensome than those in most other OECD countries. This provides Australia with the opportunity of being a little more adventurous in removing or reducing income tests in those schemes which are likely to affect the work incentives of those below the retirement age and their spouses. But more of this later.

In contrast, the Austrian public pension system provides an earnings-related old-age pension with a relatively high income replacement rate. Due to the almost universal coverage and

¹⁶ In addition, there are various means to assist particularly long term unemployed to find work (e.g., Intensive Support Customised Service) or to become self-employed (e.g., New Enterprise Incentive Scheme).

¹⁷ The Mature Age Allowance introduced in 1994, was intended to assist certain categories unemployed persons aged 60-pension age who are not required to seek work actively or undertake training. This has been closed to new applicants because it effectively encouraged early retirement.

the high replacement rate, private occupational pensions are of minor significance. The average *net* replacement rate of retirees has changed very little over time, fluctuating around 80 percent for men and reaching around 75 percent for women. In international comparison, these are very high replacement rates – comparable to those in Sweden and the Netherlands, significantly higher than in Germany and Switzerland, and much higher than in the US, UK and Australia. In addition, these high replacement rates are reached relatively early. At age 61, the net replacement rate is 73 percent – a level that would be reached five years later in Switzerland. Women reach the replacement rates even earlier, as their statutory retirement age is five years lower than for men (60 compared to 65)¹⁸. In 2003, a third pillar of the pension scheme was introduced, which flows from the severance pay scheme. Accordingly, the employer pays 1.53 percent of the monthly wage to every employee (after one month of employment) into a so-called staff providence fund, which is legally independent from the employer. Accumulated entitlements rest in the employee's account, also in case of a change of employer. Upon retirement, employees may claim the accumulated sum in cash or convert it into an annuity.

While one may not raise one's income through work while on an early retirement scheme or disability pension¹⁹, one may re-enter the labour market after reaching the statutory retirement age and eligibility to old age pension. Up until the most recent pension reform in 2003, which came into effect in 2004, the accumulated public pension income could not be augmented by postponing retirement for another year (ceiling of 80 percent). Thus, there was little incentive for mature workers to remain in employment beyond the age of retirement. This has been amended in the recent reform of the retirement system. In the retirement regulation which came into effect in 2004, incentives to prolong employment have been introduced, e.g., allowing the combination of old age pension with paid work without means testing. The replacement rate has been reduced, however, 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. This raises the contribution equivalence of retirement pay; it will result in lower replacement rates of groups of persons with frequent breaks in employment, e.g., persons engaged in unpaid family work, unemployed and persons with ill health.

As in Australia, another early exit route for mature workers in many OECD countries is to access the disability pension. This is reflected in the age structure of the disability benefit inflow. In 1999, the most recent year for which comparable data are available for a large number of OECD countries, the *ratio* of the rate of inflow into disability benefits at age 55-59 over the rate of inflow at age 35-44 was much larger in Austria than in any other OECD

¹⁸ The gender difference in retirement ages will only be fully eliminated by 2033.

¹⁹ Only casual employment, i.e., a maximum of € 323.46 per month, may be earned while on early retirement, disability or unemployment benefit.

country, five times higher than on average across the OECD (Table 18). In contrast, inflow into disability benefits was far below OECD average for workers at age 20-44 and just about average at age 45-54.

The main reason for the large inflow into disability from the age of 55 onwards is the own-occupation basis of assessment (Berufsschutz). This relies on a very narrow definition of a lack of work ability, as capacity to continue in one's normal occupation has to be proven rather than general incapacity to work. The Austrian social partners have retained this regulation, even though most other countries with similar regulations have abolished it (e.g., Italy 1984, Norway 1991, the Netherlands 1994 and Germany 2001). The assessment process has been tightened up in a number of countries: Portugal 1997, Sweden 1997 and United Kingdom 1995 and 2000.

Table 18: Inflow into disability benefits by age in international comparison
Age-specific disability benefit inflow rates, and ratio over age group 35-44, 1999

	Inflows per 1000, by age group				Ratio over age group 35-44			
	20-34	35-44	45-54	55-59	20-34	35-44	45-54	55-59
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
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
United Kingdom	9.7	12.4	17.8	22.3	0.8	1.0	1.4	1.8
United States	2.7	4.5	7.8	13.9	0.6	1.0	1.7	3.1
OECD (14)	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), *Transforming Disability into Ability*. – Note: Contributory disability benefit programme only.

Summarising the data

In substance, the complex data on labour market participation, employment characteristics, employer practices, education and training, and health issues shown above, reveal

similarities and differences in the experiences of Austria and Australia. These may be summarised as follows:

- In both countries, there is potential for the labour market participation of older workers to be raised in order to offset the ageing of the workforce. This is reflected not only in the substantial reduction in the present participation after 45, but also in the number of inactive older persons who would like to return to employment, in the number of discouraged workers who have dropped out of the workforce, and in the number of part-time workers who would like more hours of work.
- Compared to Austria, there is a higher proportion of older workers in the labour force in Australia, especially of women. The Australian employment rate for the 55-64 age-group is also higher than the Austrian rate, and it has risen since 2000. The difference in employment rates of older workers declines significantly between the two countries as mature workers in Australia are often working less than normal working hours, contrary to Austria.
- The main reasons for the 50-64 age group being out of the workforce are illness/disability, discouragement from further job search and, particularly for Austria, an 'early retirement' culture and accessibility at 55 to an earnings-related pension system offering a high income replacement rate.
- The OECD has calculated the potential for greater participation for older workers, in terms of the proportion of mobilisable labour resources, to be 43 percent for Australia and 69 percent for Austria. Moreover, while in both countries, a substantial margin of older workers drop out of the workforce before they reach the statutory retiring age, this happens earlier in Austria. These margins suggest that higher priority should be given to securing higher retention and hiring rates of the 50-64 age groups before they reach the present statutory retirement age than to inducing greater participation from those beyond that age.
- There is evidence based on surveys and figures of hiring intensity by age, of discrimination in employment of older persons despite legal constraints against discrimination.
- As between the two countries, Austria has a higher labour retention rate, greater employment protection, an age-earnings profile which is higher and rises continuously through to about age 50, and a lower hiring rate of older workers. These characteristics manifest the existence of a strong seniority system as compared to Australia. The provision of greater employment protection in Austria may be a factor in the much lower hiring intensity of older workers. Another reason may be the stronger concentration of older workers in industries and occupations of rapidly declining demand and thus increasing skill mismatch between demand for and supply of older workers in Austria.

- Employability of older workers depends partly on their skills. Compared to the younger age-groups, older workers are relatively less skilled, suffer greater long-term unemployment, and receive less post-school education and training, while a substantial number drop out of the workforce before they are 65. The magnitude of unskilled workers is proportionately greater in Australia 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 one, providing prospects for higher employment rates of older workers and higher productivity growth.
- To reduce unemployment of older workers while at the same time increasing the rate of productivity growth, greater opportunity for training and re-training of older workers, a life-long learning programme, is called for. In addition, although the proportion of less-skilled persons is projected to fall, to accentuate this fall, there is need for more resources and better organisation to be devoted to education and training of all ages. There are no comparable Australian and Austrian figures on the incidence of training of older workers but on the figures available, there may not be a great difference. Further, in both countries the proportion of workers engaged in training falls substantially for the older age group.
- Employability of older workers depends also on their health. Better health can make a distinct difference to their employability and longer participation in work. Moreover, prolonged unemployment of older workers also aggravates their health problems. In terms of self-assessed health, a lower proportion of 15+ Australians put themselves in the category of good/very good/excellent than Austrians. But in both countries, the proportion declines with age. European figures show that morbidity and mortality rates are higher for those with lower educational qualification.
- The incidence of workplace injuries affecting older workers, the 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. Older workers in Austria have the highest recorded job-related health problems compared to those in the EU. However, older workers in Australia experience an even higher incidence of work-related injuries/illness and have a higher rate of absence from work because of illness than in Austria. There are also proportionately more work-related accidents in Australia. Although the incidence of work-related accidents falls slightly for older workers in Australia, in terms of compensation cases, there is a substantial increase in the incidence and frequency of cases affecting older workers.
- The ratio of employment rates of disabled over non-disabled persons falls significantly for the 50-64 age group compared to the 20-64 age group; and that ratio is substantially

lower for the older age group in Australia compared to Austria and the OECD (14) average.

- The prevalence of disability rises with age and falls with educational attainment, the latter probably because of the occupational nature of those with higher attainment. The proportion of persons on disability benefits in employment in Australia is about 10 percent, most of the rest being inactive. The Austrian figure is a little higher but the average OECD (14) figure is 33 percent. This suggests either that employment opportunities for disabled persons are few or that the work-tests in the two countries are not sufficiently stringent. The incidence of disability benefits recipients was higher than unemployment benefits among persons with disability in both countries.
- The Australian labour market for older workers appears to be more flexible than that of Austria and several other European countries in various ways – in terms of age earnings, retention rates, seniority rights, job protection, the incidence of part-time/casual employment, and hiring intensity. For Austria, over-time seems to be the main element of flexibility allowing the retention of older workers. But changes are taking place with pressures for relaxation of the seniority principle. For Australia, the forthcoming changes in workplace relations foreshadowed by the federal government may be expected to increase labour market flexibility even more. The ramifications of these elements of flexibility on the employment of older workers needs fuller investigation.
- 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 which may be drawn upon at the age of 55. The income replacement rate is around 80 percent for men compared to about 32 percent in Australia for those retiring at the Average Ordinary Time Earnings figure. But both have employment disincentives. In Australia, the high effective marginal income tax; in Austria, the offset of pension benefits from any employment income. However, the development recently of the occupational superannuation scheme brings the Australian system closer to the Austrian, except that accessibility is to be raised from 55 to 60 and entitlement may be taken out in a lump-sum.
- Finally, it needs to be remembered that a substantial number of older persons in and out of the workforce contribute voluntary services to the community. These services are not included in the official GDP services; and nor are household services. Increasing labour force participation of older persons and especially women, may well be at the expense of the unrecorded services.

Further research on older workers suggested by comparison of Austria and Australia

The data analysed above suggest further research is needed to explain the following questions:

- What are the positive and negative effects of greater labour market flexibility on the employment of older workers?
- Why are work related accidents and illnesses higher in Australia? Does this suggest the need for a workplace survey in both countries to discover to what extent enterprises implement health conscious work practices?
- What are the underlying factors behind the significantly higher per capita disability benefits in Austria – almost three times as great as in Australia : while almost twice as many disabled persons are in employment?
- What are the inter-relationships between the seniority factor, labour retention rate, job hiring intensity, age-earnings profile, education and training and employment protection in the two countries in terms of the employment rates and productivity of older workers?
- What are the effects on part-time/casual and other contingent workers of their job-training opportunities in Australia? Would something like the Austrian Temporary Work Agencies coordinated by Centre link through JobsNetwork provide greater training opportunities for such workers?

Policy implications

The policy implications of these factual conclusions call for a consideration of appropriate policy initiatives. The comparison between Australia and Austria has been illuminating. It has pointed to the similarities and differences between them and suggested possible lessons for each.

The EU has been active in laying down policy to increase higher participation by older workers and the Austrian government has taken a number of steps to meet the EU's policy objectives. Since the mid 1990s, early retirement schemes have been closed down, old age retirement pension reforms in 2000 and 2003 have raised the effective age of retirement and brought the various elements of the pension system more in line with each other, thus making it more sustainable and at the same time more equitable. In addition, various employment and labour market policy measures were introduced or extended to complement the pension reform.

In Australia, both at federal and state levels, a range of activities designed to deal with the anticipated problems of ageing have been afoot for a few years²⁰. The Australian government has said that

Australia cannot afford not to remove barriers that inhibit ongoing participation in the workforce by skilled workers regardless of age. Approaches include raising community's awareness of the valuable contribution mature age workers can make; education and retraining; challenging the myths ageing and learning and work; as well as specific practical initiatives targeted at improving the productivity of the mature age workforce. (Commonwealth of Australia 2004)

It should be said at the outset that appropriate macro-demand management is a necessary condition for ensuring that the employable labour generated by various demand and supply measures to be discussed presently result in actual employment. To activate the extra labour without a sufficient number of job openings would frustrate the object of increasing the employability of older workers. This is such an obvious point that it needs no elaboration.

The statistical evidence shows that there is considerable potential to increase the labour force participation and the employment rate particularly of those in the 45-64 age group. The potential is even greater for Austria which has a harder road ahead in dealing with the economic problems of ageing. These problems call for concerted action in several ways – removing unwarranted age-discrimination, removing barriers and delivering suitable and accessible training facilities for older workers, ensuring a safe and healthy work environment, providing financial incentives for older workers and those with disabilities to remain in the workforce, generating adequate labour market flexibility – with implications for public policy and human resource management and labour relations practices. We now consider these issues for both countries.

Age discrimination

Reference was made above to the prevalence of age discrimination in both countries. In Australia, State and Territory legislation prohibit discrimination and the application of compulsory retirement age. At the federal level, age discrimination in employment violates the terms of the recently enacted Age Discrimination Act 2004, which provides enforceable remedies against such discrimination. However, the onus is on the complainant to prove that the 'dominant' reason for the alleged discrimination is age. So far legislation does not seem to have had much impact on reducing age discrimination. There is evidence of age discrimination in both hiring and retention. Table 2 suggests that age discrimination is

²⁰ See House of Representatives Standing Committee on Employment, Education and Workplace Relations, 2000: and Encel, S., 2003.

substantial judging by the large proportions of older inactive persons, who believe that their job-loss was due to their mature age.

For Australia, it may be necessary to change the basis of proof which requires the complainant to prove that age was 'the dominant reason' for the complainant not being employed. However, for most persons, resorting to legal proceedings is not the most desirable course. The shortage of labour will to some extent modify employer attitudes but more active publicity needs to be given on the capacity and employability of older workers. In recent years, governments have given much publicity to changing the entrenched culture against the employment of older workers (Goward, P., 2005; The Parliament of the Commonwealth of Australia, 2000) as well as banning compulsory retirement age. The Australian Government maintains that

There appear to be no barriers, in general, to mature age workers' capacity to continue working. Research has shown that productivity declines little with age; the quality of work is maintained, and can be improved; corporate memory is a valuable commodity; the job turnover for younger workers is around 25 percent; there is no observable difference between them.

Unions (*Encel, 2003*) and employer associations (*Business Council of Australia, 2003*) have also been active in encouraging the employment of older workers. Less age discrimination reflected in the retention and uptake of older workers may of itself be expected to reduce the discouraged worker element among older workers evidenced by their lack of motivation to continue job search or re-training.

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 founded²¹ (*Pickersgill et al., 1996: Ch.4*). Thus in relation to the perception that older workers have 'deteriorating physical and mental ability', it was found that in manufacturing and construction, their declining strength can be accommodated by changing the style of working. In relation to the perception that 'older workers are not receptive to new technology', it was found that any initial difficulties were overcome by appropriate training. Moreover, there was no evidence to support the perception that older workers were 'more resistant to organisational change'. The same was found in connection with the perception that older workers 'lack the appropriate skills and are difficult to re-train'. Ultimately, while it will be employers who will decide on the employment and retention of older workers, entrenched prejudices will need to be removed mainly by publicity based on research findings.

Austria introduced the Age Discrimination Act at the same time as Australia, i.e., in 2004, which represents a fairly late compliance to the EU directive (2000/78/EC) on equal

²¹ For case studies in Austria with similar results see *Enzenhofer et al. (2004)*.

treatment in the labour market²². It has been integrated in the Federal Law on Equal Treatment (Bundesgesetz zur Gleichbehandlung – GIBG; BGBl.I/2004/Nr.66). Accordingly, complaints against age discrimination in recruitment and selection of employees, payment of wages and non-wage benefits, training and promotion, conditions of work and retrenchment may be filed against the employer with the Commission on Equal Treatment in the Ministry of Health and Women Affairs and/or independently in the courts. Before addressing the Commission with a complaint, a person may turn to the ombudsman of equal treatment (Gleichbehandlungsanwaltschaft) for advice. The Commission may act on complaints brought against an employer by examining the case, arriving at a decision and informing the employer about a breach of law if such be the decision. It has no enforcement powers; only courts may enforce and sanction cases of discrimination. The courts are required to take the decision of the Commission into account in their judgements. It is in the spirit of the Austrian corporatist collective bargaining system that both, the employee's and the employer's case has to be heard, 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. This would be against the tradition of Austrian corporatism, however, and does therefore not find the backing of the social partners.

To what extent employees will use the legislative support for the equitable treatment of persons of all ages to retain their jobs or to ensure promotion and continued training, is too early to say. One may, however, deduce from the experience of the Commission in matters of gender equality that employees will take advantage of the legal provisions. It can be expected that courts will be increasingly approached on matters of age discrimination, particularly if early exit options are progressively reduced. As chances of re-employment of older workers are slim, the question of the perceptions of employers and their behaviour towards older workers are going to move centre stage, and thus also the issue of age discrimination.

Education and training

It should not be assumed that age as such underlie all refusals to retain or employ older workers. Considerations of skill and productivity in the context of changing technology and the lack of re-training facilities may well underlie employer decisions. Accordingly, the provision of training opportunities becomes an essential factor in the retention of older persons in the workforce. The case studies referred to suggest that, in some cases, training methods need to be adapted to suit the learning capacity of older workers, a point important for human resource managers to appreciate. Another study has found that the pay-off to employment for older workers from qualifications acquired later in life is 'as good,

²² For a detailed account of provisions concerning older workers in the Austrian Labour Law see Mayr (2002).

and, in some cases, better than that acquired earlier' (*Karmel, T. 2004:9*). We discuss below the task of management in dealing with older workers.

The evidence shows that possession of skill, employment and unemployment move together; and that long-term unemployment of older workers and their lower activity rates are linked to their lower education and skills. Not surprising, an OECD study (2004: Ch. 4) concludes that there is a strong cross-country correlation between employment performance and productivity relative to both initial education and adult training. An ABS 2004 Survey (Cat. 6220.0) of persons not in the labour force showed that 25 percent of discouraged jobseekers 'lacked the necessary schooling, training, skills or experience'. This is a heritage of their past lack of education and training but it signifies the need for present and future generations of young people to equip themselves with the education and skills needed for their future employment prospects. However, the skill requirements for the employment of present cohorts of older persons must also be attended to by training programs in the face of structural adjustments and new technology reducing the 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. The importance of life-long learning 'as a determinant of long-run growth in a knowledge-based economy' has been endorsed by OECD Labour Ministers (*OECD, 1998: 8*).

In Australia, the developments in the educational and training structure since the establishment of the Australian National Training Authority (ANTA)²³, provide some necessary ingredients of a system of lifelong learning – a nationally integrated system of vocational education and training (VET), delivering modular based training programmes, nationally recognised through the Australian Quality Framework to facilitate mobility throughout the country, and portable qualifications based on competency evaluation related to what students know and are able to do rather than on accumulated credits, and other flexible pathways. Although the OECD has given lifelong learning a widely encompassing economic, social and personal concept (*McKenzie, 1999*). ANTA gives primary emphasis to training and re-training in order to develop skills and promote employability and competitiveness.

There are said to be weaknesses and deficiencies in the system, particularly on the matter of quality and quantity of certain skills. However, ANTA is shortly to be abolished as from 1 July 2005. Its functions will be carried out by the Department of Education, Science and Training.

²³ ANTA was a statutory body created in 1992 by agreement of the federal and state governments. This body delegates various issues and processes to its several committees. It is administered by a Board consisting of representatives of employers, unions and education. It advises and is responsible to the ANTA Ministerial Council made up of federal and state ministers for vocational education and training. The Council sets annual national priorities to be implemented by the Board.

The federal government maintains that the new national training system will improve the supply of skilled people required by industry to maintain Australia's strong economic growth as well as provide older workers with the opportunity for re-training²⁴. All this remains to be seen, but the potential for an integrated structure to promote lifelong learning exists.

Austria realised in the second half of the 1990s, following its joining of the EU, that it was expected to develop a system of lifelong learning (LLL). Such a system is seen to be a necessary ingredient of a knowledge society, which is to ensure both, productivity growth and social cohesion. It is an integral part of the co-ordinated EU employment and education policy to which Austria is committed. Accordingly, in 2002²⁵, Austria set about identifying the state of its adult education and training, its curricular components, and its major providers and consumers. A coordination team focusing on LLL was established in the Ministry of Education, Science and the Arts (BMBWK), as well as a network of researchers sponsored and coordinated by the LMS. Under the Constitution, the federal government does not have the mandate to organise adult education and training. The *Adult Learning Promotion Act* of 1973, i.e., a federal law, obliges the states/provinces to provide adult learning without, however, specifying procedures. Accordingly, a great variety and complexity of adult learning institutions exists, without any co-ordination between them on curricula, teaching methods and staff etc, or on matters of certification and recognition of skills. Adult education and training providers comprise religious institutions, social partner training institutions, local government and private sector 'second-chance' schools, community colleges and the LMS²⁶. More than 50 percent of the adult further education and training is provided by the educational institutions linked to one or the other social partner, i.e., the Chamber of Commerce (WIFI) and the Chamber of Labour (BFI), most often commissioned by the LMS.

As the spectrum of further adult education is wide, various ministries are involved in organising/overseeing adult education. The Ministry of Economic Affairs and Labour has the responsibility of framing vocational orientation education and training in particular through the LMS. The Ministry of Health and Women is responsible for the health and care professions. The Ministry of Social Security, Generations and Consumer Protection has the mandate for the handicapped, older workers and families, while the Ministry of Agriculture is responsible for the agricultural and forestry professions. Thus, there are no special programmes for older

²⁴ In this connection, the federal government has said: Our goal is to ensure that in the future, Australia's training system will be even more responsive to the ever-changing needs of industry. The training system will continue to build its reputation with young Australians, broadening their options after school. It will attract mature aged Australians back to study, and provide them with specialised skills, and pathways to new careers. The new national training system demands a cooperative and collaborative approach between the Australian Government, States, Territories, business and industry to deliver nationally recognised qualifications of a consistently high quality.

²⁵ See the Austrian Lifelong Learning Report presented to the EU Commission in 2002 (BMBWK, 2001), also CEDEFOP (2002), *Schneeberger* (2001), *Schneeberger and Schlögl* (2004).

²⁶ Representatives of the social partner institutions are members of the board of directors of the LMS.

people, but they may participate in whatever is available for adults. In order to facilitate the access of older workers to the various options for further education, a central co-ordinating agency is called for to raise the awareness level of older persons about the various schemes and the costs and opportunities associated with them.

In the context of lifelong learning, the role of initial and further education has to be taken into account, as they are both, complements and substitutes. To the extent that initial education is more comprehensive and effective, the less elaborate and wide-ranging further education needs to be. One can be a substitute for the other, as may well be the case for many people. But for those with limited initial education, further education is a compelling factor in their employability. It is a case of working on both fronts, especially in view of rapidly changing technology and products.

This gives rise to two questions. First, whether a sufficient proportion of the workforce has the necessary capacities or commitment to engage in lifelong learning. An OECD survey of perceived barriers in job or career-related continuing education and training among adults in a number of countries including Australia, 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 C7.7). Thus there are barriers to overcome not only on the side of employers but also on the part of older workers many of whom are discouraged or reluctant to engage in training²⁷ in order to secure their jobs and avoid early retirement²⁸.

Second, whether the prevailing tendency especially in Australia to employ part-time and casual labour, to emphasise on labour market flexibility, to engage in downsizing and outsourcing, is consistent with the requirements of lifelong learning (Hopkins, 1999). The accumulation of human capital through lifelong learning calls for employee commitment to the enterprise; but it also requires employer commitment to the income and career security of its employees. Appropriate industrial relations and human resource management policies need to go hand-in-hand with lifelong learning policy. For 'enterprise-based training to be a major source of what deserves to be called lifelong learning rather than intermittent competency acquisition, the enterprises will be the ones that value and enhance their intellectual capital, in an atmosphere of shared trust and commitment, and where learning is not a separate activity but instead is implicit in what people do all the time' (Hopkins: 6).

In order to overcome this problem, at least partly and a second best course, Hopkins suggests (p.11) that where there are difficulties of long-term relationship within the

²⁷ See, for example, the finding of the House of Representatives Standing Committee on Employment, Education and Workplace Relations, 2000:90.

²⁸ The tentative conclusion based on an analysis of a 1993 Survey is that improving course availability during working time might enable more older workers to undertake training (Wooden, M. et al., 2001).

establishment of particular employers, it should be possible under the ANTA scheme for such employees to establish a long-term relationship with providers of VET – the Registered Training Organisations – which, through their close links with employers, are in a position to offer guidance and relevant learning opportunities and, in that way, provide some continuity of employment, although not necessarily with the same employer. With the Department of Education and Training taking over the functions of ANTA, such an arrangement deserves serious consideration. It may be more appropriate for Centre link to assume a coordinating role in such a scheme through JobNetwork²⁹.

In this connection, the Austrian example of the system of 'temporary workers' is relevant and deserves consideration as a concept to be followed in Australia with suitable modifications. A particularly successful road for unemployed older workers to re-enter the labour market is through *temporary work agencies* (TWAs). They are the institutional bridge between the outsiders and insiders. Once in an enterprise as a temporary worker, it is possible to check the adaptability and capacity of the worker to integrate into more sustained employment. If this experience is positive, temporary workers may transfer from the agency to an employer. This practice was *en vogue* well before Austria allowed TWAs to engage in job-placement services in addition to the sub-contracting of employees in 2002. The legal change was, however, the beginning of an active co-operation between the Labour Market Service (LMS) and TWAs in the area of job placement. As a result, TWAs registered their job openings increasingly with the LMS – in 2003, three major private sector personnel leasing firms were among the top ten employers of unemployed registered with the LMS. The LMS has finally come around to embrace the potential for collaboration with private placement agencies in order to improve job matching and to decrease public sector costs. Increasingly, non profit TWAs enter the matching scene, promoting the employment of hard-to-place unemployed. The distinguishing feature of non-profit TWA is that they provide training to the employees, which is financed by the LMS, in times when they are out of work. The increasing employment of (mature) workers on the basis of an employment contract with the TWA rather than the employing company leads to a fragmentation of internal labour markets and is one way of overcoming seniority wage schedules.

It should be noted that in Austria, trade union membership is in no way discouraged by TWAs. This may not be the case in Australia if the experience with agency employment and contract workers is anything to go by. In the context of the forthcoming workplace changes, even greater exclusion of unions from such a scheme may be expected.

²⁹ Centre link is the access point for processing unemployment and other welfare claims and for referring unemployed persons to the JobNetwork, which is a national network of private and community organisations concerned with finding jobs for unemployed persons.

Safe and healthy workplaces

As mentioned above, the statistics comparing the two countries, show that there are proportionately more work related accidents, a much higher incidence of work-related injuries/illness and a higher rate of absence from work because of illness in Australia. We have also noted that this needs further investigation. An incidence of 20 compensation cases per 1000 employees for age 50+ workers and about 45 accidents per 1000 employees for those aged 45+, while not alarming, are high and cannot be regarded as satisfactory. The high incidence in certain industries – agriculture, forestry and fishing, mining, manufacturing, construction, and health and community services – and in certain occupations – labourers, transport workers and tradespersons and related workers – indicate where the problems lie. The rising incidence by age of reported disease cases may partly explain why 31 percent of retirees aged 50-59 did so because of health or injury.

Health problems for many older workers may have their source earlier in life for a variety of reasons, possibly aggravated by their work environment. For some, prolonged unemployment may well add to their health deficit. The high proportion of persons aged 45+ who were not in the labour force because of disability, illness or injury (Table 18) suggest that problem is not minor. The nature of work, from manual to physically less demanding work opened up by new technology and in the knowledge-based industries, provide greater scope for fitting older workers into jobs. And reducing the risk of accidents and injury.

Australian governments at federal, state and territory levels, 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 contained in the *National OHS Strategy 2002-2012 (Commonwealth of Australia, 2002)* to improve the health and safety of workplaces. Another initiative is to assist in the rehabilitation into employment of disabled workers. Each State, Territory as well as the Commonwealth has its own set of OHS legislation, some modelled on the Victorian Act of 1985, regarded as the most comprehensive in its approach to OHS. Further improvements were incorporated in the 2004 Act (*Creighton and Stewart, 2005: Ch. 19*).

The higher accident rate at the workplace and higher absence from work because of illness in Australia compared to Austria suggests that the former's occupational health and safety arrangements could be improved. On the principle of 'self-regulation', the responsibility for implementing OHS systems rest on employers subject to the requirements of the relevant Act including its prescribed penalties for breaches of the Act. However, it appears that convictions are few and fines are small (*Creighton and Stewart, 2005: 597*). In recent years, there is international acceptance of the concept of Systematic Occupational Health and Safety Management (SOHSM) which in essence involve '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 et al.*, 2003:69). This is a laudable and demanding concept, calling for a high level of management commitment to the procedural requirements and acceptance of formal employee participation in OHS committees. There has existed cooperation between governments and their agencies, employers and unions at the national level. But self-regulation does not work effectively unless backed up by significant deterrence and an active monitoring system. In Australia, the inspectorate is under-resourced and the implementation of the SOHSM concept is neither widespread nor rigorous (*Gallagher et al.*, 2003; *Saksvic and Quinlan*, 2003) This is particularly so in small firms which make up the vast majority of enterprises and where large proportion of contingent workers are employed – casuals, part-timers, contractors and agency employees – a feature of the flexible ethos³⁰. Although the employer is mainly responsible for health and safety in the workplace, most large companies have OHS committees in which management and employees are represented. Yet, each year some 120,000 workers suffer a work-related injury or illness requiring more than five days off work³¹.

The Austrian authorities are convinced that preventive screening programmes raise the health status of people at all ages, and thus promote their ability to work³². In order to develop cost-effective preventive health care programmes, the social security services in Austria have embarked on a review of their activities in primary care in 2004. On the basis of an analysis of the best practice primary care screening and counselling programmes in the USA, Australia, Canada, the UK, Germany and Finland, Austria is currently putting together a programme mix – with the help of the Netherlands Institute of Primary Care Research (NIVEL in Utrecht) – adjusted for the local demand and epidemiological situation in Austria. The Austrian health authorities are implementing these new cost-effective programmes in 2005 to promote healthy ageing.

Thus, Austria has not yet implemented a comprehensive system of healthy ageing. Basically the employer has to ensure that employees who are working in an environment which may cause occupational diseases are given regular check-ups (Employee-protection legislation 1994, ASchG). Ideally, however, workplace measures to maintain work ability should target both the worker and the job. A comprehensive programme of actions should simultaneously focus on enhancing the workers' personal resources (physical, mental and psychocognitive coping ability) as well as the work environment, workplace relations and work processes.

³⁰ 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' imprisonment as well as a hefty fine.

³¹ www.nohsc.gov.au/OHSInformation/NOHSCPpublications,2/06/2005.

³² On average, about 13 percent of the adult population undertake a preventive health check (Figure for 2002), 17 percent of the 50-64 year-olds. It would seem that so 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 there is no appreciation by the public that the use of these facilities may significantly improve their health in the long run.

Obviously, the former is an essential part of coping at work, but the latter is 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 (see *Gospel, 2003*).

As we have suggested above, in order to discover to what extent enterprises do implement health conscious work practices, and to what extent they see the need for it, a work place survey should be undertaken in both Australia and Austria. That could serve as a basis for developing institutional support for the implementation of a comprehensive system of human resource management policy. In Finland, such a workplace survey was undertaken in 1997 to set the scene for the development of a comprehensive support network for employers and employees with the object of improving health and work ability and thus raising job performance and productivity (Finnish Institute of Occupational Health).

Before implementing a system of healthy ageing in the workplace a review of the current financial incentives may be called for, as currently in Austria workers receive a 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 in the long run, but reaping higher earnings in the short run.

Social protection and employment incentives

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 claimants for income support may be expected to rise. Our review of the various support schemes in the two countries suggest that the Austrian pension scheme and its accessibility at 55 encourages early retirement from the workforce and may partly explain the lower effective retiring rate and the larger proportion of older inactive population in that country. The most obvious but politically difficult course, especially because it has been a feature of Austrian welfare policy for generations, is to raise the age for accessibility. This is the course being followed in relation to the Australian Superannuation Guarantee scheme which has been in operation for less than 20 years. And in respect of the Australian non-contributory means-tested age-pension scheme, it is only available at the age of 65 for men and 62.5 for women, its availability for the latter projected to rise to 65. While it may be possible to induce those beyond 64 to stay in employment by reducing drastically the effective marginal income tax, we have suggested that the more fruitful course is to encourage those in the 45-64 age group to stay in the workforce. The potential through training and more appropriate work practices to make a significant difference to labour force participation is greater for this age group.

In Austria, to raise the retention rate, non-wage labour costs were reduced for older workers; a bonus system for hiring older unemployed workers was introduced together with penalties for retrenching mature workers (bonus-malus). In addition, active labour market policies

focused increasingly on education and training of older unemployed workers, whereby a particularly effective re-integration measure for older workers, *emplacement*³³, was stepped up. Another major reform step has been the complete overhaul of the severance pay scheme thus effectively promoting the mobility of workers at all ages. In addition, the unemployment benefit scheme was reformed for workers over 45, who have repeated spells of unemployment, to receive unemployment benefits based on their earnings level at age 45, if it was higher than the current earnings, thus reducing the unemployment trap of mature workers who have lost well-paying jobs in declining industries and little opportunity to employ their skills in occupations with employment growth. Also the question of seniority pay schemes is beginning to be addressed as well as the flexibility of working hours. These are important reform steps in the right direction, but further reforms are needed to achieve the EU targets of Barcelona and Stockholm, i.e., an employment rate of older workers of 50 percent and an increase of the age of labour market exit by five years until 2010.

Both, Australia and Austria, face a problem in relation to its disability pension scheme which, because of its differential benefits in favour of unemployment benefits, has tended to encourage a movement from unemployment to disability benefits. While there may be a good case on grounds of needs for such 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 the disability test is very lax. The OECD (2003:11) 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.

As was noted above, these figures suggest that Austrian disabled persons are treated more generously than their Australian counterparts. What bearing greater generosity has on labour force participation is not clear and deserves further study. However, it appears that the relative employment rate of disabled over non-disabled persons is significantly higher in Austria for both the 20-49 and the 50-64 age groups (OECD, 2003B: Table 3.4). This is most probably due to the legal requirement to employ disabled people. Whether productivity is impaired by what may be regarded as humanitarian welfare-oriented policy deserves further investigation.

Labour market flexibility

What has also emerged from our comparison of the two countries is that the Australian labour market is in many ways more flexible. It is tempting to conclude that this fact explains, at least

³³ This is a contract between the LMS and the employer, in which the enterprise employs an unemployed under the condition that the LMS pays/provides the job specific training required for that job.

in part, the higher Australian labour market participation and activity rates of older workers. But further work needs to be done on this question for a more confident conclusion. In Austria, flexibility of working hours appears to be the employers' preferred instrument of adjustment to demand fluctuations. For workers, this is encouraged by tax regulations – the tax on the first five overtime hours per month is very low. For employers, the large amount of overtime indicates that transaction costs associated with recruitment and training are high, and that, together with the seniority principle, they constitute a barrier to labour market entry. Strong corporatism and an effectively structured system of industrial relations favour both, functional and working hours flexibility (*Biffi, 2000*).

Although well short of the Australian figure, part-time work in Austria is among the highest in Europe. Much of the employment growth in the last two decades has been part-time female employment (*OECD, 2004 – Employment Outlook*) which, for older women, stands at just below 40 percent of female employment. But much of the potential of older workers to work part-time is still untapped.

However, change is on the way in Austria. The flexibilisation of work and wage systems and the linkage of market and household sector work represent a challenge to traditional norms. The re-organisation of work puts the seniority wage schemes under attack. Pay for performance, either individual or collective, is becoming an important determinant of pay. Increased pay on grounds of length of service is only justified, if increased duration of service is linked to increased responsibility and/or productivity. Micro-economic reforms, such as team-based incomes and multi-skilling initiatives, are interacting with pay scales to eliminate or reduce any income associated with length of service. However, a seniority system has an advantage where job-related training is available. It is consistent with higher productivity and career prospects for older worker.

The other side of the coin is that the Austrian social security schemes – pension and disability benefits – enable workers to drop out of the workforce in greater comfort. How far these conventional standards can be lowered – at least for those below retiring age – in order to assist in meeting the ageing problems, is a political challenge which needs to be faced in a country where a high level of social security has been a political imperative.

Labour market flexibility is inherently neither good nor bad. It has to be considered in relation to its effects on employer profitability, workers' security and the national interest generally. In so far as flexibility applies to work and training practices designed to encourage the employment of older workers, as discussed below, it is to be commended. However, we have noted certain negative features of flexibility associated with part-time, casual and other forms of contingent employment relating to employer provided training and OHS. The inflexibility created by the Austrian seniority system at least provides greater inducement for employer training than the more flexible Australian system which regards older workers as less profitable to train. In the case of OHS, comparing the two countries, we have noted the higher accident rate in Australia and the neglect of compliance with the guidelines

particularly in SMS firms. Thus certain elements of Australian flexibility may work against the employment and employability of older workers.

In this connection, for both countries, greater labour market flexibility must go hand in hand with actions to ensure that appropriate work and income support will be found for those who are the casualties of flexibilisation. The greater labour market flexibility foreshadowed by the recent proposals of the federal government for changes in the industrial relations system, raises even more compellingly the need for easy and supported access to education and training, especially of older workers.

Implications for human resource management and industrial relations

The above account of the various issues relating to the ageing workforce – discrimination in employment, deployment and training, OHS, flexibility elements – have implications for human resource management and industrial relations. There has been a large number of international publications dealing with HRM and ageing in recent years, showing that academics have been conscious of many lessons for dealing with the ageing question at the workplace. A European study (European Foundation for the Improvement of Living and Working conditions, 1997:11) has adopted the following five elements of good practice in age management:

1. Job recruitment and exit;
2. Training, development and promotion;
3. Flexible working practice;
4. Ergonomics and job design;
5. Changing attitudes towards ageing workers. (Casey, Metcalf and Lakey, 1993.)

Based on case studies in a number of European countries, the study found that the implementation of these practices calls for commitment from senior management, a supportive HR environment, commitment from the ageing workers involved and careful and flexible implementation. An Australian study (Gelade, S. et al., 2003) dealing with the conditions under which older unemployed workers with low prior education can secure employment through education and training, substantially confirmed the European findings but also stressing the need to create 'a safe and non-threatening environment'.

Conscious of the ageing workforce, the Australian Public Service has set in motion changes in its recruitment, employment, training and retention of older workers. Of particular interest is its flexible working arrangements (including flex time and varying span of hours, variable part-time work, job sharing, tele-commuting) in order to increase the retention of older workers. It has also made provision for 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 et al., 1998).

In Austria, an increasing number of enterprises is running into scarcities of specific skills, which has generated a turnaround of management in their judgement of older workers' work capacities (ÖPWZ, 2003, Leo, 2000, *Synthesis*, 2003). In these instances, management is addressing the weaknesses of older workers, by amending Human Resource Management and implementing age management. According to Buck and Dworschak (2003: 27-46), this entails the establishment of an age-balanced work force, age-appropriate job design, preventive occupational health measures, implementation of life-long learning and broad-banding of skills, promoting intergenerational knowledge transfer (intangible skills) and systematic integration of older workers into innovation processes.

In Austria, various enterprises have developed age management strategies since the mid-1990s. The development of such a strategy commences with an analysis of the status quo in the form of a standardised survey among employees as to their work stress, the characteristics of their job, organisational and social resources of the enterprise, subjective feelings of wellbeing (SALSA-Questionnaire), i.e., a salutogenic analysis of work, in addition sick leave data are analysed as a complementary piece of information³⁴. Management is then confronted with the results of the survey, whereupon procedures for the introduction of productive age management are decided with the active participation of employees. Usually such a process lasts for a couple of years, during which time it is monitored and analysed by consultants and/or researchers in relation to a control group. A general feature of productive age management is a significant reduction of sick leave, an improvement of work motivation, reduction of stress and a boost to productivity. Accordingly, age management is an age diversity programme, not a programme for the aged. Often not one consultant alone helps with development of productive age management, but a combination of specialists participate, e.g., experts in the area of flexible working hours and pay systems (www.ximes.com is one of the more successful consultants in this area in Austria, see Gärtner et al 2001) together with occupational health and stress experts (e.g., www.worklab.at, Karazman et al., 1999). Accordingly, age management is an age diversity programme, not a programme for the aged.

Our reading of the literature suggests that although much has been written on the subject, more work needs to be done in this area by case studies in different industries and size of firms. A British study (Taylor and Walker, 1998), although based on management perceptions, provides an excellent model for such investigations, at least initially. This study noted that older workers should not be treated as a 'homogeneous' group. They vary in skill and educational backgrounds. However, on a survey of the attitudes of personnel managers and

³⁴ Salutogenesis is a concept created by the medical sociologist Aaron Antonovsky (1979 and 1987) to refer to a new approach to health promotion and needs assessment. It examines the creation of wellbeing by looking at successful coping strategies and health. Salutogenesis examines the underlying social constructs, the broader picture, in order to both define the health problem and to search for coping resources or mechanisms. Salutogenesis also lays the foundations for a new discourse on how to tackle the increasing inequalities in health of socio-economic groups.

directors on employment practices of 500 enterprises with 500 or more employees, the study found that, on balance, older workers were likely to be thought incapable of heavy physical work, difficult to train (and, anyway, not keen on training), resentful of taking orders from younger people, lacking in enthusiasm for technical change and liable to be just 'marking time' until retirement'. These conclusions contradict some of the Australian findings referred to above. But there were also positive findings with older workers 'being seen as likely to retain plenty of 'mileage', as being reliable, productive, flexible, less accident prone and not lacking in creativity'. (p. 630) However, overall, although pointing to 'the considerable complexity in the way age is constructed at the workplace', the study 'provides some evidence of the social exclusion of older workers based on negative stereotypes.' (p. 654) It found that few enterprises had a 'specific policy of trying to recruit more older workers', and that many managers appeared to be unaware of the demographic changes and their effect on their workforce structure. (p. 649) A similar finding was made about employers in the Netherlands. Only 13 percent of employers surveyed saw older workers as a potential source of labour. (Remery *et al.*, 2003). Austrian employers have similar stereotypes as to the potential of older workers (Enzenhofer *et al.*, 2004); while Austrian employers are aware of demographic ageing, many do not expect to run into labour scarcities for some time, therefore not seeing any need for a change in management practices.

A smaller study based on four cases in the UK and Australia, sampled both employees and managers (Brooke and Taylor, 2005). It found the persistence of age-stereotyping, a tendency to prefer younger workers for skills development, thus determining the deployment of younger and older workers; the tendency to direct redundancy packages to older workers and so losing the benefit of experience; and persistent tension between young and older workers especially when the former were placed in supervisory positions over more experienced older workers. It concluded that 'ideally, organizations should deploy employees in accordance with their individual attributes and capacities rather than by making assumptions based on age.'

In Austria, workers have been surveyed on their view on prolonging employment over the life cycle. Accordingly, workers are only just beginning to see that longer labour market participation is needed in an ageing society, not least because of the implications for the level of their retirement pay. Asked if they want to continue to work longer³⁵, older workers with various educational and occupational backgrounds, *unisono* come up with one major message: they would not mind working longer if only attitudes towards them as older workers were more favourable. They do not see themselves as incompetent, unwilling to adapt etc., but their perception is that this view is not shared by employers and the general public. They do admit that certain aspects of work become harder with age, e.g., increased speed and

³⁵ Qualitative interviews were undertaken in 2003, commissioned by the LMS. For details see Enzenhofer *et al.* (2004:190-92); also Flecker *et al.* (2003).

time pressure, as well as physically strenuous work. While they would like to remain in their type of job – because this is where they can put their experience to good use – they would prefer to have reduced working hours on condition that this is not linked with deskilling and financial loss.

Austrian survey data provide a somewhat different account from those referred to above of the relative capacity of older workers. According to a working condition survey (Hofinger, 2004)³⁶, older workers find work somewhat more stressful (seelisch belastend) than younger workers (27.7 percent compared to an average of 24.3 percent). Time pressure is a stress factor for some 43.5 percent of older workers (50+), however, this is no more than for most prime-aged workers; only under 30-year olds tend not to be stressed by time pressures to the same extent. Older workers find it more difficult than young and middle aged ones to adapt to technical and organisational change (17 percent compared to an average of 15.5 percent) and to changes in work processes and demands (19 percent compared to an average of 17 percent). And older workers are significantly less confident than youth and prime age workers about the appropriateness of their skills in 5 years from now (30 percent say that they believe that it will not be adequate compared to an average of 20 percent). While these figures indicate that there is some truth in the belief that older workers cannot cope to the same extent as young and middle aged ones with the work environment, the differences are not large. This suggests that organisational changes dubbed 'age management' could pave the way for a more efficient use of the labour resources of older workers.

The interviewed older workers did not only stress the need for changing attitudes of employers but also that of the general public. Understanding by the latter is needed to accommodate what will involve a change of people's 'life plans' (Lebensplan) because in planning their working life and time of retirement, individuals can do so more confidently on the basis of information and a general acceptance and understanding of their new role in an ageing society. At present, Austrians have a pronounced preference for a long period of retirement. As retirees they engage to a large extent in unpaid honorary community services, often as helpers of NGOs and other non-profit institutions and associations. For older workers to engage in paid work for a longer term will call for a change in the work/retirement paradigm with significant impact particularly on those institutions that currently depend to a large extent on the unpaid and voluntary services of older persons. Obviously, more research is needed to establish their current role in civil society and what a change in paradigm away from unpaid to paid work would imply for society.

We have stated that there is evidence of age discrimination, much of it based on worker perceptions but also on the actions and manifest attitudes of employers. Thus, it is evident in

³⁶ Some major results of the working conditions survey (Arbeitsklimaindex) can be found on the homepage <http://www.arbeitsklima.at>

downsizing exercises that older workers have been targeted and handsome retirement packages have been offered to older workers (*Dawkins and Littler, 2000:51; Arrowsmith and McGoldrick, 1997; Mulvey, 2003*). Perhaps the era of frenetic workplace rationalisation is over and something may have been learnt about the loss of experience and memory in workplaces. Although the greater reliability of older workers is generally noted, as mentioned above, there are mixed findings on their cognitive ability and the speed with which they can absorb new material. It is obviously a case of 'horses for courses'. Thus the task of HRM intent on retaining a larger proportion of older workers, is to ensure appropriate tasks and training programmes are directed at older workers. One Australian study finds that on the basis of the costs of labour mobility, recruitment, training, absenteeism and work injuries, 'there are moderate cost gains in employing older workers compared to younger workers' (*Brooke, 2003:279*).

It would appear then, that in addition to anti-discrimination laws, much management education is needed to overcome entrenched attitudes about the trainability and employability of older workers, and to provide them with appropriate training and work practices³⁷. Importantly also, on the side of supply, a cultural change is needed among older workers about their capacity to be re-trained if necessary and to stay longer in the workforce

The implications for industrial relations based on unions and collective bargaining have not featured prominently in this paper. However, the difference in the role of unions and employer association is significantly different in the two countries. We have noted that at the national level in Australia, federal and state governments, supported by unions and employer associations, have been actively advocating the case for employing older workers in larger numbers. In Austria it is the social partners rather than government which have increasingly established themselves as the national platform on matters of employment of an ageing work force by addressing the issue of implementation of age-management in a micro- and macro-economic context. They have established a website (<http://www.arbeitundalter.at/>) which functions as a knowledge databank on issues of work organisation which may be expected to contribute to the sustainability of productivity of an ageing work force. It is effectively a virtual personnel consultant on issues frequently voiced by employers as problematic, in particular obsolescence of skills, loss of work motivation and confidence in their ability on the one hand, and, on the other, the changing work environment that affects older workers more than young ones. In addition, it provides the links to private and public expert institutions for more help and advice³⁸. Further, at the workplace level, worker

³⁷ In the US, an increase in jobs requiring little physical effort among workers aged 55-60 has been recorded (*Johnson, 2004*).

³⁸ It is interesting to note that In Austria it was only in the second half of the 1990s that unions and the Chamber of Labour began to see the need for policy to prolong the employment of older workers. Because an over-supply of labour is expected to persist until at least 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

participation either directly or via union representatives in the form of works councils, is a strong feature of Austrian and other EU countries (minus the UK).

In contrast, in Australia managerial prerogatives in determining working conditions, labour deployment etc. with little, if any, worker/union consultation, are taken for granted. As has been noted, even worker participation in OHS matters is not widespread. Against the background of forthcoming legislation marginalising unions even more, the burden of dealing with the requirements of a positive policy to engage a higher proportion of older workers in training and employment will fall entirely on management except where union power still prevails. It is difficult to speculate on whether such untrammelled power in the hands of the employer on many of the issues relating to older workers raised in this paper will yield the desired outcome. Time will tell.

Implications for public policy

It will be apparent from the above that Australian governments at federal and state levels have not only been conscious of the need to raise the labour force participation and employment of older workers, but they have also been active in pursuing this objective in a variety of ways. While governments, employer associations and unions have been concerned and vocal about the ageing problem, it is not clear that the implications of an ageing workforce have filtered down to many employers³⁹. In Austria, as mentioned, the social partners have a leading role in determining employment policy. With the high unemployment following industrial restructuring in the 1980s and 1990s, priority was given to the employment of youth while encouraging the exit of older workers with golden handshakes. With the realisation of the consequences of an ageing workforce and driven by the government and EU policy on an ageing workforce, the social partners have somewhat belatedly embarked upon active formulation of age management policy.

As a result of policy action, the outlook for the standard of living in both countries is not as gloomy as may appear at first glance if only because of 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. Further, with more skilled cohorts moving into the older age group, the outlook for productivity growth is also positive. Moreover, the market may be expected to respond to

demand for workers particularly in those skill segments in which older workers tend to be overrepresented. They point out that in the circumstances, there are limits to which institutional efforts, addressing only the supply side of employment, can succeed in increasing the employment rate of older workers.

³⁹ In this connection, it is hardly necessary to add that the teaching of HRM courses at universities and other tertiary institutions, by giving special emphasis to issues relevant to the employment and retention of older workers, could have an important bearing on managerial attitudes and practices. Such courses backed by increasing research would dispel the current situation said to be one where 'the normative and prescriptive rhetoric and policies have developed faster than evidence-based knowledge' (Brooke and Taylor, 2005: 427).

the shortage of labour by helping to remove some of the barriers to the employment and training of older workers. The ageing of the workforce is in its early stage and the comparing Australia with Austria shows that the circumstances in the latter are likely to be more confronting for economic and social policy.

In predominantly capitalist countries, employment is largely in the hands of private enterprise and managerial initiatives. But public policy can play a critical part in providing the economic and social context in which private enterprise operates. Our considerations so far have emphasised several elements that should concern public policy in relation to the ageing problem in both countries. We have noted the importance of appropriate demand management, the importance of making the legal constraint against age discrimination more effective and setting the pace by its own practices and publicity, by facilitating an effective institutional framework and adequate funding for life long learning, by ensuring an effective OHS system, and by providing a social security system – in particular, against unemployment, disability and age/superannuation – which ensure that inducements to work are carefully balanced against a level of social protection expected in a civilised society. For Australia, some would also add the need for greater union participation, on the argument that employees are important stakeholders in a modern industrial society and that their interests can be advanced more effectively through their collective representatives rather than individually.

Concluding observations

The above policy review indicates that a comprehensive package of measures, which is coherent with other policies, has to be put in place to cope with the challenge of employing an increasingly large proportion of mature workers. The comparison of policy reform in 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. The Australians follow 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 interests of society best⁴⁰. The functional mechanism of decision-making differs as a result of the different set of institutions and the outcome of the decision process 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 which promotes economic growth, Austria has until recently 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.

⁴⁰ For more details about the differentiation of social models see Soskice (1999), Hollingsworth – Boyer (1997), Aoki (1995).

That Austria has now one of the lowest employment rates of older workers is the result of basically two concerns – that the employment opportunities of youth and prime age workers are not compromised by the employment of older workers, and that workers do not fall into a poverty trap once they retire. This has resulted in an increasing financial burden on the active workforce, who have to foot the bill for the generous retirement pension scheme, in the main a pay-as-you-go scheme.

The social partners have now accepted, albeit reluctantly, that this situation is not sustainable. Driven largely by the government and in line with EU requirements, the unions have agreed to policy reform. The task for Austria is more formidable partly because of the tardy acceptance of the consequences of an ageing population. 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 more 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.

Bibliography

- ABS, Retirement and Retirement intentions, Australia, November 1997. Cat. 6238.0.
- Access Economics, 1999, All in Together, unpublished.
- Agarwal, N. C. and DeGroot, M.G., 1998, 'Retirement of older workers: issues and policies', *Human Resource Planning* 21, pp. 42-75.
- Antonovsky, A., 1979; *Health, stress and coping*, New York: McGraw-Hill.
- Antonovsky A., 1987; *Unraveling the mystery of health: How people manage stress and stay well*; San Francisco Jossey-Bass.
- Aoki, M., 1995, *Towards a Comparative Institutional Analysis*. *Japanese Economic Review* 47(1).
- Arrowsmith, J. and McGoldrick, A., E., 1997, 'A flexible future for older workers?' *Personnel Review*, 26, 4, pp. 258-273.
- Australian Public Service Commission, 2003, *Workforce Ageing: Materials for Human Resource Practitioners in the APS*, www.apsc.gov.au/publications03, 18/04/2005.
- Biffi, G., 2000, *Deregulation of Placement Services: The Case of Austria*, *Austrian Economic Quarterly*, 2000, 5(1), pp. 35-51.
- Biffi, G., 2005, *The Socio-Economic Background of Health in Austria with Special Emphasis on the Role of the Employment Status*, *Austrian Economic Quarterly*, 2005, 10(1), pp. 40-55.
- Bishop, Senator B., 1999, *The National Strategy for an Ageing Population*.
- BMBWK 2001, *Österreichischer Länderbericht und Hintergrundbericht. Memorandum über lebenslanges Lernen der Europäischen Kommission*, in *Materialien zur Erwachsenenbildung Nr5 and 6/2001*, Vienna.
- Brooke, L., 2003, 'Human resource costs and benefits of maintaining a mature-age workforce', *International Journal of Manpower*, 24, 3, pp. 260-282.
- Brooke, L. and Taylor, P., 2005, 'Older workers and employment: managing age relations', *Ageing and Society*, 25, pp. 415-429.
- Brown, M., 2001, 'Employee pay adjustment preferences: Recent Australian evidence', *Asia-Pacific. Journal of Human Resources*, 39, 3, 1-22.

- Buck, Hartmut, Bernd Dworschak (Eds.) 2003, Ageing and work in Europe: Strategies at company level and public policies in selected European countries, Booklet Series: Demography and Employment, Stuttgart.
- Business Council of Australia. 2003, Age Can Work.
- Carlile, C., Fuery, M., Heyworth, C., Ivec, M., Marshall, K. and Newey, M, 2002, Welfare reform pilots; Characteristics and participation patterns of three disadvantaged groups, Occasional Paper, no.5, Department of Family and Community Services, Canberra.
- Casey, B., Metcalf, H. and Lakey, J., 1993, 'Human Resource Strategy and the Third Age: Policies and Practices in the UK' in Taylor, P. et al., Age and Employment, IPM.
- CEDEFOP 2002, Konsultationsprozess zum Memorandum der Europäischen Kommission über lebenslanges Lernen. Analyse der Länderberichte, CEDEFOP Panorama 22, Luxembourg.
- Charness, N. (Ed.), 1985, Ageing and Human Performance, Wiley, Chichester.
- Commonwealth of Australia, 2002, National OHS Strategy 2002-2012, National Occupational Health and Safety Commission.
- Creighton, B. and Stewart, A., 2005, Labour Law, (Fourth Edition), The Federation Press.
- Crepon, Bruno, Nicolas Deniau, Sebastien Perez-Duarte, 2003, Productivité et salaire des travailleurs âgés, Revue Française d'Economie, 18:157-85.
- Dawkins, P. and C.R. Littler (Eds), 2001; Downsizing: Is It Working For Australia? The Melbourne Institute.
- Department of Family and Community Services (2001), Workforce experiences of people aged 45 to 69 years, Research Sheet No. 2, Canberra.
- Department of Family and Community Services, 2002, 2002-03 Wage Subsidy Guidelines, Canberra.
- Encel, S., 2003, Age Can Work. The Case for Older Australians Staying in the Workforce, ACTU and Business Council of Australia.
- Enzenhofer, Edith, Doris Muralter, Silvija Rapa, Elisabeth Simbürger, Karin Steiner, 2004, Erwerbsrealität von älteren ArbeitnehmerInnen: Chancen und Barrieren, Labour Market Service (AMS Österreich Ed.). AMS Report 39, Vienna.
- European Commission, 2003, Health in Europe. Results from 1997-2000 Surveys, Theme 3, Luxembourg.
- European Commission, 2004, Living Conditions in Europe, Statistical Pocketbook 1998-2002, Jukka Piirto (Ed.), EUROSTAT Theme 3 Population and Social Conditions.
- European Foundation for the Improvement of Living and Working Conditions, 1997, Combating Age Barriers in Employment, Luxembourg.
- European Observatory on Health Care Systems, Health Care Systems in Transition: Austria, EC, AMS 5012667 (AUT), Brussels; 2000, <http://www.observatory.dk>.
- Eurostat, 2002, Key data on health 2002. 'Demographic statistics', 2002 Edition.
- Ferraro, K.F., 1980, Self-Ratings of Health among the old and old-old, Journal of Health and Social Behaviour 21:377-383.
- Flecker, Jörg, Sabine Kirschenhofer, Manfred Krenn, Ulrike Papouschek, 2003, Perceptions of Changes in working life and the impact on political orientations. Interim country Report of Austria for SIREN: "Socio-Economic Change, Individual Reactions and the Appeal of the Extreme Right" ,Contract nr.: HPSE-CT-2001-00058, FORBA Research Report 1/2003.
- Gallagher, C., Underhill, E. and Rimmer, M., 2003, 'Occupational safety and health management systems in Australia: barriers to success', Policy and Practice in Health and Safety, IOSH Services.
- Gärtner, Johannes, Christoph Klein, Doris Lutz, 2001, Arbeitszeitmodelle: Handbuch zur Arbeitszeitgestaltung, Verlag Orac, Wien.

- Gelade, S., Catts, R. and Gerber, R., 2003, Securing Success Good practice in training people aged 45 and over who are disadvantaged in the labour market, Australian Government Department of Education, Science and Training.
- Gerdtham, U.G., Johannesson, M., 2003, A note on the effect of unemployment on mortality, *Journal of Health Economics* 22 (2003):505-518.
- Gospel, Howard, 2003, Quality of working life: A review on changes in work organization, conditions of employment and work-life arrangements, *Conditions of Work and Employment Series No. 1*, ILO, Geneva.
- Goward, P. 2005 All about age discrimination, www.hreoc.gov.au, 11/05/2005.
- Guest, R. and McDonald, I., (2002) "Prospective demographic change and Australia's living standards in 2050", *People and Place*, 10(2): 6-15.
- Haegeland, T., T.J. Klette, 1999, Do higher wages reflect higher productivity? Education, gender and experience premiums in a matched plant-worker data set, in John C. Haltiwanger (Ed.), *The Creation and Analysis of Employer-Employee Matched Data*, pp. 231-259. *Contributions to Economic Analysis*, Vol. 241. Amsterdam, New York, Oxford: Elsevier Science, North-Holland.
- Hofinger, Christoph, 2004, *Sonderauswertung des Arbeitsklima-Index*, Institute for Social Research and Analysis (SORA), Vienna.
- Hollingsworth, J.R., Boyer, R., 1997, *Coordination of Economic Actors and Social Systems of Production*. In J.R. Hollingsworth and R. Boyer (Eds.) *Contemporary Capitalism, the Embeddedness of Institutions*. Cambridge: Cambridge University Press.
- Hopkins, S., 1999, *The Role of Enterprises in Lifelong Learning: What Can Realistically be Expected?* Paper to Centre of Education and Training on Rapid Economic Change and Life Long Learning.
- Huber, P., 2005, *Inter-regional mobility in the accession countries: A comparison with EU(15) Member States*, *Beiträge zur Arbeitsmarkt- und Berufsforschung*, Nürnberg.
- Idler, E.L. and Kasl, S.V., 1995, Self-Ratings of Health: Do they also predict change in functional ability? *Journal of Gerontology* 50B:344-353.
- Johnson, R.W., D. Neumark, 1996, Wage declines among older men. *Review of Economics and Statistics* 78(4):740-48.
- Johnson, R. W., 2004, 'Trends in job demand among older workers, 1992-2002', *Monthly Labor Review*, 127.7, July 2004.
- Karazman R., Kloimüller I., Geissler H., Karazman-Morawetz I., 1999, Effect-Typology – An evaluation method of occupational health promotion programs. *Journal of Experimental Ageing*; 25(4): 313-322.
- Karmel, T. and Woods, D. 2004, *Lifelong learning and older workers*, NCVER.
- Leo, Hannes, 2000, *Arbeits- und Qualifikationsnachfrage im Telekom- und Mediensektor*, WIFO-Research commissioned by WAFF (Wiener ArbeitnehmerInnen FörderFonds), Wien.
- Maddox, G. and Douglas, E. 1973, Self-Assessment of Health: A Longitudinal study of elderly subject. *Journal of Health and Social Behaviour* 14:87-93.
- Mathers, C. and Schofield, D. 1998, *The Health Consequences of Unemployment: the Evidence*. *Medical Journal of Australia* 168:178-182.
- Mayr, Klaus, 2002, *Der Schutz älterer Arbeitnehmer/-innen im österreichischen Arbeitsrecht – ausreichend oder reformbedürftig?* *WISO* 25(4):117-154, Linz.
- McCallum, J., Shadbolt, B., and Wang, D. 1994, Self-Rated Health and Survival: A seven year follow-up study of Australian Elderly, *American Journal of Public Health* 84:1100-1105.
- McKenzie, Phillip, 1999, *Lifelong Learning as a Policy Response*.
- Mesrine, A., "La surmortalité des chômeurs – un effet catalysateur du chômage?", INSEE, *Economie et statistique*, 2000, (334).

- Mossey, J.M., Shapiro, E. 1982, "Self rated Health: A Predictor of Mortality among the Elderly", *American Journal of Public Health* 72:800-808.
- Mulvey, J., 2003, 'Retirement behaviour and retirement plan designs: Strategies to retain an ageing workforce', *Benefits Quarterly*, 19, 4, pp. 35-32.
- Nagi, S.Z., 1969, Congruency in Medical and Self-Assessment of Disability. *Industrial Medicine and Surgery* 38:27-36.
- National Health and Safety Commission, *Compendium of Workers' Compensation Statistics*, Australia, 2001-02.
- O'Connell, P.J., 1999, *Adults in Training: An International Comparison of Continuing Education and Training*, OECD, Centre for Educational Research and Innovations.
- OECD, 1998, *Human Capital Investment*, Paris.
- OECD, 2000, *Education at a Glance*, Paris.
- OECD 2003A , *Health at a Glance*, OECD Indicators 2003, Paris.
- OECD, 2003B, *Transforming Disability into Ability – Policies to promote work and income security for disabled people*, Paris.
- OECD, 2004 – *Employment Outlook* , Paris.
- OECD, 2005, *Ageing and employment policies: Australia*, Paris.
- ÖPWZ 2003, *Conference on age management*, organised by ÖPWZ (Österreichisches Produktivitäts- und Wirtschaftlichkeitszentrum) in Vienna, November 2003.
- Parsons, D.O., 1996, Retirement age and retirement income: the role of the firm. In E. Hanushek and N. Maritato (Eds.) *Assessing Knowledge of Retirement Behavior*, pp. 149-194. Washington, D.C., National Academy Press.
- Pickersgill, R., Briggs, C., Kitay, J., O'Keeffe, S. and Gillezea, A. 1994, *Productivity of Mature and Older Workers: Employers' Attitudes and Experiences*, ACIRRT, Monograph No. 13.
- Remery, C., Henkens, K., Schippers, J. and Ekamper, P., 2003, 'Managing an ageing workforce and a tight labor market: views held by Dutch employers' *Populations Research and Policy Review* , 22, pp. 21-40.
- Richardson, S., 2004 , 'Employers' contribution to training', NCVER.
- Saksvic, P.O and Quinlan, M., 2003, *Regulating systematic occupational health*', *Industrial Relations*, 58, 1, pp. 33-54.
- Schneeberger, A. 2001, *Lebenslanges Lernen als Schlüssel zur Informationsgesellschaft*, ibw-Schriftenreihe Nr. 120, Vienna.
- Schneeberger, A., P. Schlögl, 2004, *Thematic Review on Adult Learning*, Background Report on Austria for the OECD, commissioned by BMBWK.
- Soskice, David, 1999, *Divergent Production Regimes: Coordinated and Uncoordinated Market Economies in the 1980s and 1990s*. In H.Kitschelt, P.Lange, G. Marks and J.D. Stephens (Eds. *Continuity and Change in Contemporary Capitalism*. Cambridge: Cambridge University Press.
- Synthesis, 2003A, *Engpässe und Überhänge auf Österreichs regionalen Arbeitsmärkten*, Research commissioned by the Labour Market Service, Vienna.
- Taylor, P. and Walker, A., 1998, 'Employers and older workers: attitudes and employment practices', *Ageing and Society*, 18, 641-658.
- The Parliament of the Commonwealth of Australia, House of Representatives Standing Committee on Employment, Education and Workplace Relations, 2000, *Age Counts. An inquiry into issues specific to mature age workers*.
- Wooden, M., VandenHeuvel, A., Cully, M. and Curtain, R., 2001, *Barriers to training older workers and possible policy solutions*. National Institute of Labour Studies.

© 2005 Österreichisches Institut für Wirtschaftsforschung

Medieninhaber (Verleger), Hersteller: Österreichisches Institut für Wirtschaftsforschung • Wien 3, Arsenal, Objekt 20 • A-1103 Wien, Postfach 91 • Tel. (43 1) 798 26 01-0 • Fax (43 1) 798 93 86 • <http://www.wifo.ac.at/> • Verlags- und Herstellungsort: Wien

Die Working Papers geben nicht notwendigerweise die Meinung des WIFO wieder

Verkaufspreis: EUR 8,00 • Download kostenlos:

http://publikationen.wifo.ac.at/pls/wifosite/wifosite.wifo_search.get_abstract_type?p_language=1&pubid=25701