

The Policy Challenge of Ensuring a Healthy Workforce in an Ageing Society: Austria and Australia in Comparison

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Abstract

This is a comparative study of health issues and work in Austria and Australia. It is concerned with the challenge of organising a healthy work environment for an ageing workforce in order to promote the work ability and a higher employment rate of older workers while at the same time ensuring productivity growth. Attention is drawn to important factors other than health that also limit the greater employability of older workers. While both countries face aspects of work which impact on the health of older workers, the relative importance of some of these differ in the two countries. Following a brief indication of the demographic dimensions of ageing and their implications in the two countries, the paper proceeds to consider the salient facts concerning labour market participation of mature workers. The policy implications of these findings for the promotion of the employability of older workers are drawn out for the government, unions and employers in terms of health and safety at the workplace, education and training, employment criteria, and social protection in the two countries. Attention is drawn to the different industrial relations systems in the two countries and their implication for a healthy workplace.

Introduction

Reduced fertility and mortality rates in many countries foreshadow an ageing population, a reduction in the size of the workforce and GDP per capita. These developments result in a growing dependence of the old on those in the workforce, increasing generational tensions, and government budgetary problems to meet health and welfare bills. Our comparative

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paper examines differences and similarities between Austria and Australia of various issues arising from an ageing population and their policy implications¹.

For Australia, it is projected that in 40 years time, those aged 65 and over will double to about 25 percent of the population (OECD, 2005A). For Austria, the share in 40-year's time will be even higher – 30 percent of the population, i.e., also about double the proportion of today. (OECD, 2005B) The policy challenge for Austria is magnified by the fact that population size is expected to stagnate at around 8 million². 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 2050³.

The demographic old-age dependency ratio (population aged 65 and over to the population aged 20 to 64, currently around 25 percent in Austria and 20 percent in Australia (22 percent for the OECD average) is expected to rise to 55 percent and 50 percent respectively (OECD 47 percent) by 2050.

Some salient facts on labour market participation of older workers

Certain salient facts provide the background on the potential for greater employability and participation of older workers in both countries. *Amartya Sen* (1992, 1999) was among the first to point out that health is not only a major determinant of individual well being but also of economic growth⁴. This is particularly pertinent in an ageing society. However, it is important to note that health is not the only important factor in limiting the greater employability of older workers. Consequently, to ensure that the full potential of improvements in health on employability of older workers is realised, these other factors need to be considered.

- 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 (Figure 1)⁵, but also in the number of inactive older persons who would like to return to employment and in the

¹ We draw on and make reference to earlier work published as a Working Paper (*Biffi – Isaac, 2005*); http://publikationen.wifo.ac.at/pls/wifosite/wifosite.wifo_search.get_abstract_type?p_language=1&pubid=25701&pub_language=-1&p_type=0

² There is considerable uncertainty about future migratory flows in Austria; the long-run population forecasts of 2001 are currently revised in the light of dynamic immigration. The new forecasts suggest a population increase to some 9 million by 2050 (*Statistics Austria, 2005*).

³ 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.

⁴ Sen points out that health is one of the most important 'basic capabilities' of a person, which promotes active participation in the economy and society at large.

⁵ The references to figures and tables are to our Working Paper (2005)

number of discouraged workers who have dropped out of the workforce (Tables 2 and 3) as well as in the number of part-time workers who would like more hours of work.

- The OECD has calculated the potential for greater participation of older workers, in terms of the proportion of mobilisable labour resources, to be 43 percent for Australia and 69 percent for Austria (Table 1).
- 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 (Figure 4).
- The main reasons for the 50-64 age group being out of the workforce are illness/disability, discouragement from further job search (Tables 2 and 3) and, particularly for Austria, an 'early retirement' culture (Figure 3) promoted by an accessibility at less than 60 to an earnings-related pension system offering a high income replacement rate at an early age⁶.
- Better health can make a distinct difference to the employability and longer participation in work of older workers. Moreover, prolonged unemployment of older workers also aggravates their health problems. Subjective health measures may be used as an indicator of well-being by age and gender⁷. The percentage of people with self-assessed good or very good health declines with age. In the case of Austria, the figure for 25-34 year old men was 94 percent and for women 91.4 percent, while it was 87.6 percent for 35-49 year old men (86.5 percent for women); in the 50-64 year age group, 63 percent of men and 67 percent of women stated that they were in good or very good health. The figures for Australia are lower than the Austrian for every age group, declining from about 60 percent for the 25-34 year olds to just under 50 percent and 40 percent respectively for the 45-54 and 55-64 groups (ABS National Health Survey and European Community Household Panel, 2001).
- 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 (Biffi, 2005, European Commission, 2003; and Figures 12 and 13).
- Employability of older workers depends partly on their skills. Compared to the younger age-groups, older workers are relatively less skilled (Table 6), suffer greater long-term unemployment (Figure 2), and will have received less post-school education and training (Figure 8); in addition, low skilled workers drop out of the workforce more than proportionately before they are 65 (Table 4). The magnitude of unskilled workers is

⁶ As a result, 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.

⁷ Literature shows that self-assessed measures of health are good indicators of health in the sense that they are highly correlated with medically determined health status (Nagi, 1969) and good predictors of mortality and morbidity (Mossey and Shapiro, 1982, McCallum et al., 1994).

proportionately greater in Australia than in Austria (Table 6) 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 (Figure 7), providing prospects for higher employment rates of older workers and higher productivity growth in the future.

- It is now well accepted that in many countries, good health and longevity⁸ are associated with the 'social gradient' – the extent of inequality reflected in a number of inter-related factors – the social hierarchy, distribution of incomes, the level of education, skill and occupation (Marmot, 2004; Briggs, 2005). The last 20 years have seen a significant widening of differences in income and wealth in most countries including Australia and Austria. In Australia, the dispersion in pay began to increase with a greater de-regulation of the labour market and decentralisation of wage determination (Saunders, 2005; Healey, 2005). While Austria continues to have one of the lowest dispersions of household income, similar to the Nordic countries and the Netherlands, a widening took place in the 1980s and gained momentum in the 1990s (Biffi, 2003). It is above all the wage income distribution, which widens, a trend not dissimilar to many other countries (Aidt and Tzannatos, 2002).
- The relatively higher incidence of workplace injuries affecting older workers, the greater extent of morbidity among older persons of working age and the large proportion on disability pensions in both countries, indicate the importance of dealing with health and safety issues. They also suggest the need to tailor the nature of work to the capacity of older workers as a counter to the ageing of the workforce.
- Overall, the rate of work-related accidents involving more than three days absence from work is substantially higher for Australia than Austria. The rate is slightly higher for older than younger persons in Austria while the reverse was true for Australia (Figure 14). In the case of Austria, this may be because older workers are more accident-prone than younger ones and/or because a larger proportion of older workers are 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). In terms of compensation cases in Australia, there is a substantial increase in the incidence and frequency of cases affecting older workers, especially those over 50 (National Health and Safety Commission, Compendium of Workers' Compensation Statistics, Australia, 2001-02). This suggests that older workers have more serious work accidents than younger ones and/or it takes them longer to recuperate.
- The inflow into disability benefits rises with age, particularly in Austria; accordingly, the ratio of employment rates of disabled over non-disabled persons rises with age. For the 55-59 age group compared to the 35-44 age group, Australia is somewhat above the

⁸ For the health patterns and income/wealth distribution in the United States, see, for example, Hartman (2002).

OECD average of 3.1, while the ratio rises to 16 in Austria (2003) (Table 18, also *OECD*, 2003). The employment rate of prime age disabled persons is higher in Austria than Australia, a result of the legal requirement of employers to offer a certain proportion of jobs to disabled persons. The sharp drop of the employment rate of older disabled workers in Austria may be attributed to a comparatively easy access to disability pensions, i.e., own-occupation basis of assessment (*Berufsschutz*) rather than general incapacity to work.

- The Australian labour market for older workers appears to be more flexible than the Austrian – in terms of the incidence of part-time/casual employment (Tables 7 and 8), retention rates (Figure 5), age earnings (Figure 6), seniority rights, job protection (Table 16), and hiring intensity (Table 17). For Austria, over-time seems to be the main element of flexibility allowing the retention of older workers (Tables 9 and 10).
- One of the challenges of social policy is to balance social protection against ensuring the incentive for older persons to continue to work. The age pension schemes in the two countries differ markedly. The Australian system aims to alleviate poverty on a flat rate basis and is subject to an income/assets test. The Austrian system is a contributory scheme and is earnings-related. All contributors are entitled to their pensions under this scheme that may be drawn upon some years before the statutory retirement age. The income replacement rate is around 80 percent for men compared to about 32 percent in Australia. But both have employment disincentives – in Australia, the high effective marginal income tax; in Austria, the offset of pension benefits from any employment income during the period of early retirement.

Policy implications

The comparison between Australia and Austria has pointed to similarities and differences in the employment situation of mature workers. A close look at the facts and figures indicates that a complex set of inter-related factors impact on their employability. In this paper we are concerned with health issues that arise from the work environment. These relate to the effects on the health from inadequate attention to health and safety at the workplace, from a harsh and/or stressful work environment, wide dispersion in pay, protracted unemployment and employment insecurity, both aggravated by inadequate skills and by age discrimination, and to disincentives to remain in the workforce. These issues call for concerted action in a number of ways to which we now turn.

Safe and healthy workplaces

The high proportion of workers who are not in the labour force because of disability, illness or injury (Table 18, Figure 16) suggests that the problem is not minor. This calls for greater emphasis on safe and healthy workplaces.

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. Similar concerted actions have been taken by the Austrian social partners and the government since the mid 1990s; guidelines for the promotion of health and safety management in the workplace have been provided by the government in 2004, following the proposals of the ILO and the European Commission. An initiative in Australia, not so in Austria, is to assist in the rehabilitation into employment of disabled workers.

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. In both countries, on the principle of 'self-regulation', the responsibility for implementing OHS systems rests 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 (for Australia see *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 demanding concept, calling for a high level of management commitment to the procedural requirements and acceptance of formal employee participation in OHS committees. But self-regulation does not work effectively unless backed up by significant deterrence⁹ and an active monitoring system.

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

⁹ 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 gaol as well as a hefty fine.

process and tend to be dropped from the labour hire companies after an accident instead of being rehabilitated.

The Austrian legal framework is similar to the Australian; according to the Austrian Protection of Workers Law of 1994 (amended 2001), enterprises with more than 50 employees are obliged to provide a specified minimum number of consulting services on the premises for every employee by an occupational health doctor. Small enterprises, i.e., the majority of employers in Austria, may get the OHS checks free of charge. In general, the Austrian authorities put a stress on preventive screening programmes to raise the health status of people at all ages, and thus their employability¹⁰. There is little research into the extent and impact of these occupational health and safety controls by firm size, but indications are that occupational health problems are underestimated in the official statistics¹¹.

In Austria, as far as OHS measures are concerned, the focus is on the work environment rather than the enhancement of the workers' personal resources (physical, mental and psycho cognitive coping ability). Health-Monitoring on the workplace is not obligatory¹². Obviously, OHS measures are an essential part of coping at work, but the personal capabilities are equally important. Weak work performance may be the result of excessive physical, mental or psychological stress, conflicting combinations of job demands and control, or simply bad management and work organisation (see *Gospel, 2003*). 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.

Education and training

The evidence referred to above shows that the possession of skills and educational attainment, employment, low drop-out before 65, and health of older workers are inter-related. Although lack of education and training is a heritage of the past, it signifies the need for present cohorts of older persons to 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.

¹⁰ 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.

¹¹ According to *Medical Tribune 50/2004*, controls of OHS measures are limited in SMEs, and systematic health controls of occupational health problems by the general practitioners hardly occur.

¹² Since the mid-1990s an increasing number of private enterprises and public sector services is implementing age management programmes with the help of external experts, including health monitoring, i.e., an assessment of the health impact of work on individuals and teams in their various departments and tasks (*OECD, 2005B*).

The training and re-training needs, particularly of prime age and mature-age workers, raise the issue of lifelong learning and the institutional arrangements for such a scheme. In Australia, the adjustment of the educational and training structure has been on the political agenda at least since 1992¹³, with primary emphasis on training and re-training in order to develop skills and promote employability and competitiveness. There is also emphasis on the needs of older workers with the opportunity for re-training.

In Austria, after entering the EU in 1995, significant steps were taken towards improving the educational attainment level of adults. In 2002¹⁴, a coordination team focusing on Lifelong Learning (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. As the spectrum of further adult education is wide, and as the institutions involved are diverse, data is inconsistent and fragmented. Therefore, little is known about the extent and outcome of further education of adults, in particular the impact on the employability of older workers (OECD, 2005B).

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

Social protection and employment incentives to disabled persons

The proportion of persons on disability benefits in employment is comparatively low in both countries – about 10 percent in Australia, most of the rest being inactive, and 13 percent in Austria, compared to 33 percent for the OECD average and Sweden at 65 percent (OECD, 2003: Chart 3.7). This suggests either that employment opportunities for disabled persons are few, or that the work-tests in the two countries are not sufficiently stringent or that subsidised/sheltered work for the disabled is less common.

The question of how to balance adequate income support for those in need of it while ensuring an adequate work incentive becomes even more important in an ageing society where claimants for income support may be expected to rise. 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

¹³ The Department of Education, Science and Training has taken over the functions of the Australian National Training Authority in July 2005 (Australian Government, 2005).

¹⁴ On the Austrian Lifelong Learning Report see CEDEFOP (2002), *Schneeberger* (2001), *Schneeberger and Schlägl* (2004).

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 disability is narrowly defined. 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. Whether productivity is impaired by what may be regarded as humanitarian welfare-oriented policy deserves further investigation.

Implications for human resource management and industrial relations

Our account of the various issues relating to the ageing workforce – deployment and training, occupational health and safety, flexibility elements – have implications for human resource management and industrial relations. With a shortage of labour becoming more evident, employers may be expected to become more conscious and active in recruiting and retaining older workers and the need for special consideration to their health and safety requirements¹⁵. While governments, employer associations and unions have been vocal about the ageing problem, it is not clear that the implications of an ageing workforce have filtered down to many employers. Age discrimination is still widespread in the recruitment, retention and training policies of employers, and the relatively higher incidence of accidents and sickness call for more appropriate OHS arrangements at the workplace. Various other factors have a bearing on the health and productivity of older workers to which management needs to be sensitive. These include the following.

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

¹⁵ The Australian Public Service has set in motion changes in its recruitment, employment, training and retention of older worker, including flex time and a varying span of hours, variable part-time work, job sharing, tele-commuting and phased retirement and changing job roles (*Australian Public Service Commission*, 2003). A Canadian study proposes 'flexible' retirement to meet the preferences of older workers (*Agarwal et al.*, 1998).

- Training of older workers tends to be caught up in age discrimination. A variety of Australian case studies suggest that while there are considerable individual variations in the performance of older workers, the popular view concerning the incapacity or lower capacity of older workers are not well founded (*Pickersgill et al., 1996*). Studies with similar outcomes have been undertaken in Austria (*Enzenhofer et al., 2004*).
- While labour market flexibility is inherently neither good nor bad, it has to be judged in relation to its effects on employer profitability, workers' security and the health and employment of older workers. Insofar as flexibility applies to work and training practices designed to encourage the employment of older workers, it is commendable. However, there are certain negative features of flexibility associated with part-time, casual and other forms of contingent employment. Further, the prevailing tendency, especially in Australia, to employ part-time and contingent labour is inconsistent with the requirements of lifelong learning. While lifelong learning calls for employee commitment to the enterprise, it also requires employer commitment to the income and career security of its employees.
- While there are disadvantages to the less flexible Austrian labour market, in particular the inflexibility created by the Austrian seniority system, it does provide greater inducement for employer training than the more flexible Australian system. Thus, certain elements of flexibility may work in favour and others against the employment and employability of older workers.
- We have noted evidence that the greater the inequalities in pay and self-determination at the workplace, the greater the risk to health of those at the bottom of the hierarchy (*Marmot, 2004:248*). In that context, the increased dispersion in pay in Australia, and to a lesser extent also in Austria, is likely to be adverse on the health of workers, especially older ones at the lower end of the pay scale and we may well anticipate health deterioration and further drop-out of older workers from the workforce.
- In Austria, an increasing number of enterprises are running into scarcities of specific skills, which has generated a turnaround of management in their judgement of older workers' work capacities. In these instances, management is addressing the weaknesses of older workers, by implementing age management. This entails the establishment of an age-balanced work force, age-appropriate job design, preventive occupational health measures, implementation of life-long learning and broad-banding of skills, promoting intergenerational knowledge transfer and systematic integration of older workers into innovation processes.

Industrial relations based on unions and collective bargaining operate differently in the two countries. In Australia, industrial tribunals have played an increasingly smaller part in determining the terms of employment while union power has been reduced considerably and individual bargaining has been encouraged at the expense of collective bargaining, resulting in widening of pay differences with implication for the health of those at the bottom

end (*Marmot, 2004:248*). This has strengthened the hand of employers and given them the power to force workers to trade-off working conditions and to intensify work for higher pay (*Briggs, 2005*). As noted above, employers are responsible for ensuring OHS but without unions having a say in such matters, there are dangers of OHS taking a secondary role in the determination of conditions at the workplace (*Heiler, 1996*). Thus the burden of dealing with the requirements of a positive policy to ensure a healthy and safe workplace and engage a higher proportion of older workers in training and employment will fall entirely on management except where union power still prevails.

This is in contrast to the position in Austria where the social partnership concept still applies and where the social partners rather than government have increasingly established themselves as the national platform on matters of employment of an ageing work force. They have established a website (<http://www.arbeitundalter.at/>) which functions as a knowledge databank on issues of health and work, providing information and links to private and public expert institutions for help and advice. Thereby they hope to promote the productivity of an ageing work force. Further, at the workplace level, worker participation either directly or via union representatives in the form of works councils, is an important element in ensuring a healthy work environment¹⁶.

Implications for public policy

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

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

¹⁶ Works councils may act on behalf of the employees as OHS ombudsman in enterprises with more than 50 employees.

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

Another public policy issue relates to pension schemes. Our review of the various support schemes in the two countries suggests that the Austrian pension scheme may partly explain the lower effective retiring rate and the larger proportion of older inactive persons¹⁷. The most obvious but politically difficult course, especially because it has been a feature of Austrian welfare policy for decades, is to raise the age for accessibility – this is the course followed by the Australian Superannuation Guarantee scheme, which has been in operation for less than 20 years. In contrast, in Austria, because of an over-supply of labour, which 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 demand for workers particularly in those skill segments in which older workers tend to be overrepresented.

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

It is apparent from the above that both governments have not only been conscious of the need to raise the labour force participation and employment of older workers, but they have also been active in pursuing this objective in a variety of ways. If further action is taken in line with our observations, the outlook for the standard of living in both countries is not as gloomy as may appear at first glance. The smaller size of families will allow income per capita to be sustained at a higher level than might be the case for larger families (Guest and McDonald, 2002). Further, with more skilled cohorts moving into the older age group, the outlook for productivity growth is also positive.

¹⁷ *Blöndal and Scarpetta* (1999) have provided evidence that a generous welfare system reduces labour force participation of older workers.

Concluding observations

The comparison of Austria and Australia indicates that different models of socio-economic organisation, in particular different industrial relations systems, result in different priorities as countries strive to preserve the internal consistency of their national socio-economic institutional framework. 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 best. 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 been more concerned with preserving social cohesion. This has involved reducing the supply of older workers through early retirement in the wake of industrial restructuring, which resulted in an increasing, unsustainable financial burden on the active workforce. The test is whether the corporatist model with its concern for social cohesion will be able to deal effectively with the ageing problem, or whether something like the Anglo-Saxon 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.

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