

PREVENTATIVE HEALTH AND WORKPLACE CULTURE

A submission by Australian Institute of Employment Rights for the attention of:

The Honourable Kevin Rudd

Prime Minister

The Honourable Julia Gillard

Deputy Prime Minister; Minister for Employment and Workplace Relations;

Minister for Education; Minister for Social Inclusion

The Honourable Nicola Roxon

Minister for Health and Aging

Date: August 2009

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EXECUTIVE SUMMARY

- 1 The 20/20 Summit recognised that Australia needs a long-term health strategy focussing on prevention, rather than the current health budget focus on reaction.**
- 2 The National Hospitals and Health Reform Commission has called for a new health system founded upon prevention and early intervention.**
- 3 The single greatest investment the Federal Government can make in preventative health and early intervention is to invest in cultural reform of Australian workplaces.**
- 4 More people die from stroke or heart attack between 9am and 11am on Monday morning than at any other time in the week. This is because of work-related psychological and physical factors, which lead to a significant effect of stress during this time.**
- 5 Poor workplace culture is recognised as a key risk factor for cardiovascular disease, which is the leading cause of death for Australians, affecting over 3.2 million Australians.**
- 6 Workplace stress, conflict and other negative by-products of poor workplace culture are responsible for the proliferation of mental illness affecting 1 in 5 Australians.**
- 7 Health problems such as obesity, alcoholism, depression and drug addiction stem, in part, from poor workplace culture and can be improved through better workplace culture.**
- 8 Instead of being a world leader in people management, Australia is lagging behind on major indicators of workplace culture according to international benchmarks.**
- 9 Bullying and unfair treatment, which is recognised as existing in Australian schools, is not isolated to the schoolyard but permeates the workplaces of some of Australia's otherwise most respected businesses.**
- 10 Improving workplace culture is key to the success and profitability of domestic businesses, and the international competitiveness of the Australian economy overall.**
- 11 Workplace culture is a critical aspect of corporate social responsibility, a prerequisite for being a recipient of responsible investment and Australia's role as an international "employer", "educator" and "business partner" of choice.**
- 12 The Fair Work Act 2009 and the establishment of the Preventative Health Taskforce are two steps in the right direction.**
- 13 In building upon these developments, the Federal Government should adopt a National Accreditation System aimed at facilitating cultural reform of Australian workplaces.**
- 14 A National Accreditation System will provide impetus for workplace cultural reform, education on the importance of culture to preventative health and assist all Australian businesses to become genuine sites of "fair work".**
- 15 The National Accreditation System should be underpinned by the Australian Standard of Employment Rights, which is a yardstick for measuring and improving workplace culture.**
- 16 AIER has called on the Government to provide seed funding to support the establishment of a National Centre for Workplace Partnerships. This body would administer the Accreditation System and promote cultural reform of Australian workplaces.**
- 17 The Federal Government should use the Standard in their role as an Employer, in procuring government contracts and in educating all Australians.**
- 18 In the likely event that improvements in workplace culture resulting from the National Accreditation System is proven to reduce the health budget, the Federal Government should provide tax incentives for businesses who achieve accreditation.**

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INTRODUCTION

- 1 The Australian Institute of Employment Rights (AIER) appreciates the opportunity through this submission to encourage improved preventative health in Australia via investment in improved workplace culture.
- 2 The AIER thanks the Federal Government in anticipation of its genuine consideration of this submission. Implementation of the Recommendations ("**Annexure One**") will enhance, and in many cases, save, the lives of current and future Australian citizens. Implementation will see Australia establish a new international benchmark in the enhancement of human rights and quality of life via workplace initiatives.
- 3 While Australia strives to be a world leader in many areas of significant endeavour, we believe that Australia's working people are enduring endemically unhealthy workplace cultures.
- 4 Domestic and international comparative material suggests that Australia needs to make significant progress in improving the quality of its treatment of people at work ("**Section One**"). We are behind international benchmarks in terms of work/life balance and management culture in Australian businesses across the board.
- 5 The proliferation of poor workplace culture is not merely an issue for individual businesses but for Australia as a whole. There is significant empirical data to suggest that poor management practices, and-sub-optimal workplace cultures have a detrimental effect on the physical and mental health of working people ("**Section One**").
- 6 Poor workplace culture, resulting in mental illness and mental health problems, cardiovascular disease and various other adverse health outcomes, represent a substantial public health problem, accounting for large preventable disease burdens, and deserving of a commensurate public health response ("**Section One**").
- 7 The AIER calls for a national investment in workplace culture. This provides a unique opportunity for Australia to become an "International Employer of Choice" and will also improve the profitability of Australian businesses, and the international competitiveness of the Australian economy overall ("**Section Two**").
- 8 At the 20/20 Summit it was recognised that only 1% of Australia's health budget focuses on preventative health, as the vast bulk of health resources are geared to react to health problems when they arise. We note that the Government has since established the Preventative Health Taskforce which has largely focussed on the health challenges arising from obesity, drugs and alcohol.
- 9 We believe that the greatest investment the Australian Government can make in preventative health is in cultural reform of Australian workplaces. The current focus of the Preventative Health Taskforce is too narrow and falls into the trap of dealing with the symptoms rather than the cause. Whilst obesity, alcohol and drug consumption are each legitimate health problems in their own right, numerous studies have documented relationships between working conditions, including job stress, safety risks, and exposure to hazardous substances, and health behaviours, such as smoking, sedentary behaviour, poor diet and alcohol consumption ("**Section One**").
- 10 By addressing poor workplace culture as the root of other health problems, the Government will be preventing Australians from developing coping mechanisms

associated with poor workplace culture such as through food, drug and alcohol addictions and other unhealthy lifestyle behaviours.

- 11 The recently released Final Report of the National Hospitals and Health Reform Commission called for the health system to become “everybody’s business” and for employers, businesses and unions to be involved in the reform process. This report sought to design a new health system for Australia with early intervention and prevention as its bedrock.
- 12 It is clear that a systemic approach to managing workplace culture is required. Research shows that improving workplace culture cannot be left to the sole discretion of individual employers as this will mean that some Australians miss out (**“Section Three”**). A case-by-case approach to investment in workplace culture will be subject to the financial conditions of the business, its human resources expertise and the priorities of those in leadership. Given the clear business and community case for investment in workplace culture, this requires a comprehensive national approach.
- 13 The AIER believes that this is best administered at a federal level. The Australian Government needs to lead the way by developing a National Accreditation System that would educate employers and other workplace participants, and encourage their alignment with the objectives and values of the system.
- 14 The AIER recommends that the Australian Government adopt a National Accreditation System aimed at encouraging businesses to improve workplace culture (**“Section Three”**).
- 15 The impetus for a National Accreditation System would be twofold, representing a powerful synergy and alignment between health and workplace relations portfolios. A national accreditation system would simultaneously help in the achievement of “Fair Work” across all Australian workplaces and risk management of health problems originating from poor workplace culture.
- 16 It is recommended that at the heart of the National Accreditation System would lie the “Australian Standard of Employment Rights”. Building upon the “Australian Charter of Employment Rights”, this Standard provides a benchmark by which Australian workplace culture can be measured and improved. This would enable Australian businesses to assess how they are progressing in terms of workplace culture and to identify avenues and strategies for improvement.
- 17 The AIER recommends that the Australian Government should provide seed funding to create a National Centre for Workplace Partnerships. This body would complement the existing statutory framework charged with the responsibility of implementing the Government’s fair work agenda, and would be responsible for administering the accreditation system.
- 18 The AIER believes that the National Taskforce for Preventative Health should be an ongoing body charged with assessing recommendations on the implementation of improved health in Australian workplaces, including via the National Accreditation System. The next task of the National Taskforce for Preventative Health should be to promote mechanisms for improved workplace culture in Australia.
- 19 In addition to the National Accreditation System, the AIER recommends that the Australian Government use the Standard in its role as an Employer, as part of its procurement policy for government contracts and in educating all Australians about the value of positive workplace culture.
- 20 We note the Australian Government’s Procurement Statement released in July 2009 indicates the Government’s intention to require those submitting a tender to provide information on how they comply with the Fair Work Principles under the Fair Work Act 2009. The AIER proposes that the Australian Standard of

Employment Rights and the National Accreditation System be used to tangibly measure compliance with the Fair Work Principles. Otherwise, the current requirement under the Procurement Statement is in danger of becoming another procedural requirement or paper document that those submitting a tender must provide, rather than a tool to genuinely achieve improved workplace relationships and workplace culture.

- 21 In the likely event that cultural reform of Australian workplaces leads to improvement in workplace culture and a corresponding unburdening of the health system according to key performance indicators, the Federal Government should consider setting up favourable tax structures to encourage business engagement with, and participation in, the National Accreditation System.
- 22 By establishing tax incentives for businesses to achieve accreditation, the Federal Government will be ensuring that improving workplace culture is built into the lifeblood and objective of all businesses in Australia. Australia, as a whole, will greatly benefit from such an investment in preventative health and workplace culture.
- 23 Whilst Australia has traditionally been known as the “lucky country” after 1901 – an epithet earned partly because of Australia’s history of relatively high minimum wages and industrial fairness, this new century offers an opportunity for Australia to earn a new reputation, as an “international employer of choice” and a country that genuinely values the dignity and worth of working people.

SECTION ONE

WHY IS WORKPLACE CULTURE A PREVENTATIVE HEALTH ISSUE?

24 Introduction

- 24.1** The greatest investment the Australian Government can make in preventative health is to address the need for cultural reform of Australian workplaces.
- 24.2** A person's work and their place of work are essential to their wellbeing. Most Australians spend majority of their adult life in the workplace, indicating the centrality of work to their existence. As recognised by Professor Ron McCallum AO, "the performance of paid work, whether as employees, consultants or contractors, gives us fulfilment, a broad social network, and remuneration to support ourselves and our families".¹
- 24.3** Poor workplace culture can have a devastating impact on the physical and mental health of working people. There is significant empirical data to suggest that poor management practices, and-sub-optimal workplace cultures can trigger and lead to the development of physical and mental health problems.²
- 24.4** The causal relationship between workplace culture and preventative health is an issue of increasing prominence.³ There is a growing level of sophistication in our understanding of the dynamics of work environments at a psychosocial level and the potential for chronically adverse psychosocial work environments to impact on the mental and physical wellbeing of employees. At the same time, there is a growing recognition of the effectiveness of preventative, as opposed to reactive, health measures in reducing the harm caused by known health risks.
- 24.5** This section is structured in two parts. The first part reviews the empirical data in this field, which conclusively substantiates the link between workplace culture and preventative health. The second part assesses the quality of Australian workplace culture according to international benchmarks.

25 The Impact of Adverse Workplace Culture on Health Outcomes

- 25.1** Mental and physical health problems arising from sub-standard workplace culture are numerous, and are a concern across all employment sectors and all occupational levels. These adverse health outcomes have implications for the individual employee, their co-workers, the business, the national health system and the international competitiveness of the Australian economy overall. The far reaching consequences of poor workplace culture mandates greater understanding and awareness of the impact of Australia's work environments on the wellbeing of employees. This section delineates the causal relationship between workplace culture and physical and mental health outcomes.

¹ R McCallum (2005) *Justice at Work: Industrial Citizenship and the Corporatisation of Australian Labour Law*, The Thirteenth Annual Kingsley Laffer Memorial Lecture, University of Sydney.

² Anthony D. LaMontagne et al (2006) "Workplace Stress in Victoria: Developing a Systems Approach", report to the Victoria Health Promotion Foundation. Chapter One of this report provides an excellent overview of the research in this area.

³ For example, see Rob Moodie & Rachel Jenkins, (2005) "I'm from the government and you want me to invest in mental health promotion. Well why should I?" *Promotion and Education*, 12:37.

Physical Health

- 25.2** Studies and investigations into weekly variations of death cycles have found that the first work day of the week is associated with the highest incidence of death.⁴ It is not Monday morning per se that leads to the increase in deaths but the meaning attached to it by those who work. Work-related psychological and physical factors represent an increased load on both the vascular and nervous systems, leading to a significant amount of stress, mostly in the early hours of Monday morning.⁵ A comprehensive forty year study of temporal patterns of stroke from 1950-1990 found that the time when strokes most frequently occur is between 8am and noon on Mondays.⁶ Another study released in 2009 found the weekly peak of myocardial infarction occurred on Monday mornings.⁷
- 25.3** This growing body of evidence suggesting the high incidence of deaths during the morning of the first work day of the week, adds weight to the argument that the greatest investment the Government can make in preventative health is to improve workplace culture. If a person's job and in particular, the stress and conflict arising from the workplace, are managed more constructively, it is likely to result in a tangible improvement in health outcomes.
- 25.4** Numerous studies correlate poor workplace culture and higher rates of cardiovascular disease.⁸ This is primarily because poor workplace culture manifests itself in high workplace stress levels. High stress makes the heart beat faster, which can lead to excessive oxygen intake in the heart muscle. This can increase the possibility of heart attack. Stress can also upset the heart's cardiac rhythm. An excessively raised heartbeat can lead to life-threatening ventricular fibrillation.
- 25.5** Cardiovascular disease remains the leading cause of death in Australia, responsible for 34% of all deaths. As noted by Dr Lyn Roberts, CEO of the Heart Foundation, "these figures highlight the urgent need for a national action plan for cardiovascular disease. Cardiovascular disease is responsible for 18% of the nation's total burden of disease, and yet most of it, around 80% is largely preventable".⁹
- 25.6** The recently published multi-country 'Inter-Heart' case control study which included approximately 25,000 subjects, found a doubling of risk for heart attack from job stress as well as additional risk from non-work stress.¹⁰ This study

⁴ Willich SN, Lowel H, Lewis M, Hormann A, Arntz HR, Keil U. *Weekly variation of acute myocardial infarction. Increased Monday risk in the working population.* *Circulation* 1994;90:87-93; Kinjo K, Sato H, et al. *Osaka Acute Coronary Insufficiency Study (OACIS) Group Variation during the week in the incidence of acute myocardial infarction: Heart* 2003; 89:398-403; van der Palen J, Doggen CJ, Beaglehole R. *Variation in the time and day of onset of myocardial infarction and sudden death. NZ Medical Journal*, 1995, 108:332-4; Bodis J, et al, "Permanent stress may be the trigger of an acute myocardial infarction on the first work day of the week," *International Journal of Cardiology*, 6 March 2009.

⁵ Bodis J, et al, "Permanent stress may be the trigger of an acute myocardial infarction on the first work day of the week," *International Journal of Cardiology*, 6 March 2009.

⁶ Kelly-Hayes M, Wolf P, Kase C, Brand F, McGuirk J, D'Agostino R (1995) "Temporal patterns of stroke onset, the Framingham Study", *Stroke*, 26: 1343-1347.

⁷ Bodis J, et al, "Permanent stress may be the trigger of an acute myocardial infarction on the first work day of the week," *International Journal of Cardiology*, 6 March 2009.

⁸ Schnall PL, Belkic K, Landsbergis P, Baker D, "The workplace and cardiovascular disease", *State of the Art Reviews: Occupational Medicine*, 2000, 15(10), 1-224; Peter R, Siegrist J, "Psychosocial work environment and the risk of coronary heart disease", *International Archives of Occupational and Environmental Health*, 2000, 73 Suppl, S41-5; Belkic K, Landsbergis P, Schnall P, Baker D, "Is job strain a major source of cardiovascular disease risk?" *Scan J Work Environ Health*, 2004, 30(2), 85-128.

⁹ Heart Foundation, "ABS Statistics: Cardiovascular Disease Remains Leading Cause of Death", 18 March 2009, Media Release.

¹⁰ Rosengren A, Hawken S, Ounpuu S, Sliwa K, Zubaid M, Almahmeed W, et al. Association of psychosocial risk factors with

included Australian employees, and found that cardiovascular risk patterns were consistent across occupations and industries, geographical regions, in different ethnic groups, and in men and women.

- 25.7** Belkic et al have conducted the most comprehensive review of job stress and cardiovascular disease to date. This research demonstrates strong and consistent evidence of association between stress in the workplace and serious heart problems.¹¹
- 25.8** Workplace stress can also lead to a whole raft of other physical problems, including:¹²
- (a) Headaches and migraines
 - (b) Impaired digestion – due to a decrease in intestinal movement
 - (c) Musculoskeletal disorders
 - (d) Ulcers – from lowered blood flow
 - (e) Irritable bowel syndrome
 - (f) Various illnesses – from lowered immune function due to stress
 - (g) Diabetes

Mental Health

- 25.9** As our understanding of mental health increases, there is a growing body of compelling evidence to suggest that mental health is directly affected by workplace culture.¹³ We now know that mental health problems and mental illness are among the greatest causes of disability, diminished life quality and reduced productivity in Australia.¹⁴ Those affected by mental health problems often have higher levels of morbidity and mortality, experiencing poorer general health and higher rates of death from a range of causes, including suicide.¹⁵
- 25.10** It is clear that the mental health challenge in Australia cannot be ignored. The National Survey of Mental Health and Wellbeing 2007 found that one in five adult Australians experience mental illness in any year.¹⁶ One in four of these people experience more than one mental disorder.¹⁷ Effectively, this means that over 3.2 million Australians had a mental disorder in the 12 months preceding the survey. At its worst, mental illness can result in suicide and in 2007 there were 1,881 registered suicides representing an age standardised death rate of 9 deaths per 100,000 Australians.¹⁸ In recent years, mental illness was among the ten leading causes of disease burden in Australia.¹⁹
- 25.11** The high incidence of mental illness is also detrimental to the fabric of Australian families with a 2009 report indicating that one in four Australian children are living with a parent who has a mental illness.²⁰

¹¹ Belkic K, Landsbergis P, Schnall P, Baker D, “Is job strain a major source of cardiovascular disease risk?” *Scan J Work Environ Health*, 2004, 30(2), 85-128.

¹² Grosch J, Sauter S, “Psychologic stressors and work organization,” in *Textbook of Clinical Occupational and Environmental Medicine*, Rosenstock L Cullen M, Brodtkin C, Redlick C (eds), Second edition, Philadelphia, Elsevier, 2005, 931-942.

¹³ See Rob Moodie & Rachel Jenkins, (2005) “I’m from the government and you want me to invest in mental health promotion. Well why should I?” *Promotion and Education*, 12:37.

¹⁴ ABS (2004-05) *Mental Health in Australia: A Snapshot*, ABS Cat No 4824, Canberra.

¹⁵ Ibid.

¹⁶ ABS (2007) *National Survey of Mental Health and Wellbeing: Summary of Results*, ABS Cat No 4325, Canberra.

¹⁷ Ibid.

¹⁸ ABS (2009) *Causes of Death, Australia 2007*, ABS Cat No 3303.0, Canberra

¹⁹ ABS (2004-05) *National Survey of Mental Health and Wellbeing: Summary of Results*, ABS Cat No 4325, Canberra.

²⁰ Maybery DJ, Reupert AE, Patrick K, Goodyear M and Crase L (2009) "Prevalence of parental mental illness in Australian families", *Psychiatric Bulletin*, 33:22-26.

- 25.12** Workers' compensation claims for mental health problems have more than doubled in the past ten years. While the number of overall workers' compensation claims in Australia decreased by 13% between 1996–7 and 2003–4, workers compensation claims categorised as "Mental Stress" increased by 83% from 4585 in 1996–7 to 8410 in 2003–4.²¹ In 2005–6, this increased to 8665 claims.²² Of these, the overwhelming majority were work-related. 41.1% of claims related to "Work Pressure", 21.5% to "Harassment" and 16.1% to "Exposure to Workplace or Occupational Violence".²³
- 25.13** Increasing pressure in the workplace, made manifest through job strain and job stress, has led to a significant rise in mental health risks for all employees, not just those in high powered positions. D'Souza, Strazdins, Clements, Broom, Parslow and Rodgers²⁴ conducted a cross-sectional study of 2,249 employees aged between 40 and 44 years in two regions on South-East Australia in 2000. The results of the study indicated that high job strain and job insecurity were independently associated with poor mental health, poor physical health and increased visits to general medical practitioners for all status groups when adjusted for confounding factors. High job strain was associated with depression, anxiety, lower physical health and more visits to general medical practitioners. The authors concluded that the high status workers were just as likely as low-status workers to be exposed to adverse work conditions and both status groups showed similar health effects. The implications of the results of the study were interpreted by the authors to be that exposure to insecure and high strain jobs is likely to rise as economies and labour markets respond to globalisation and political change. High status may not protect employees from either exposure or impact, thus widening the population health consequences of adverse work conditions.
- 25.14** Another study assessing the link between job strain and mental health found that job strain, and the risk of depression associated with job strain, represented a substantial and preventable public health problem.²⁵ In addition to presenting the results of their particular study, the authors noted the results of related studies conducted in Australia and overseas on the link between psycho-social working conditions, effort and reward imbalance at work, injustice at work, job insecurity and bullying on common mental disorders. The authors concluded that their findings added to the growing evidence base in support of expanded public health interventions to address the adverse effects of job stress.
- 25.15** Poor work organisation has also been found to increase the incidence of mental illness. Marchand, Demers and Durand reported the results of research into the contribution of occupational and work organisation on psychological distress in the workforce based on a model which also took into account the person's personality, structures of daily life and macro-social structures.²⁶ The research indicated that pathogenic work organisation conditions contributed independently of the other factors to the experience of psychological distress.

²¹ Australian Safety and Compensation Council (2007), *Compendium of Workers' Compensation Statistics Australia 2004–5*, <http://www.ascc.gov.au/NR/rdonlyres/E0C9B5C7-9C4E-45A6-A733-475E90F2DA25/0/Completeversion_WorkCompStats0405.pdf>, p. 72.

²² Australian Safety and Compensation Council (2008), *Compendium of Workers' Compensation Statistics Australia 2005–6*, <http://www.ascc.gov.au/NR/rdonlyres/656E6571-D7B3-4DD6-846B-78C161CA0F4D/0/Compendium_of_Workers_Compensation_Statistics_200506_Full_version.pdf>, p. 33.

²³ N2 above, p. 72

²⁴Rennie M. D'Souza, Lyndall Strazdins, Mark S Clements, Dorothy H Broom, Ruth Parslow, Bryan Rodgers "The health effects of jobs: status working conditions or both?". Australian and New Zealand Journal of Public Health 2005; vol 29 No 3 pages 222-8)

²⁵"Job strain – Attributable depression in a sample of working Australians: Assessing the contribution of health inequalities", Anthony D La Montagne, Tessa Keegel, Deborah Vallance, Aleck Ostry and Rory Wolf, BMC Public Health 2008, 8: 181.

²⁶"Does work really cause distress? The contribution of occupational structure and work organizations to the experience of psychological distress." Alain Marchand, Andree Demers and Pierre Durand Social Sciences and Medicine Volume 61 Issue 1 July 2005 Pages 1-4

25.16 Whilst employment is known to be positively associated with psychological health,²⁷ a new study has found greater stability in employment would contribute to better psychological health, particularly among male employees.²⁸ This study found that continuous employment protected men from psychological ill health. This protective effect was present regardless of their previous state of psychological health. When male employees perceive themselves as secure in their employment they are likely to have better psychological health.

Conclusion

25.17 In terms of both physical and mental health, it is clear that all facets of a person's health is impacted by their place of work.

25.18 There is compelling evidence to suggest that workplace culture can either aid or diminish a person's physical and mental health.

25.19 Given this, greater resources need to be directed to improving workplace culture in Australia as part of the national preventative health budget.

25.20 Government investment in workplace culture would have a direct benefit in terms of reducing the incidence of cardiovascular disease, and other physical problems, and is likely to reduce the number of Australians who are suffering from mental illness.

26 Quality of Australian Workplace Culture

26.1 Having ascertained that there is a clearly demonstrable connection between workplace culture and mental and physical health, it is important to assess the quality of Australian workplace culture according to international benchmarks.

26.2 Workplace culture is a broad term that encompasses a number of different and often intangible, aspects of an organisation reflecting the habitat that the organisation creates with, and for, its employees. A supportive workplace culture has been associated with a variety of benefits for both employees and employers, including higher levels of commitment to the organisation, greater staff retention, higher levels of job satisfaction, lower levels of stress and the experience of less conflict between work and family responsibilities.²⁹

26.3 It is disappointing that studies show that Australian workplace culture is falling behind international benchmarks. The following analysis looks at the evidence that Australian management practices have tended to favour passive/defensive and aggressive/defensive leadership styles. There is also some discussion of other studies, which have shown that Australians are working longer, and harder, with a growing imbalance between an individual's work and the rest of their life. Cumulatively, the research on Australian workplace culture is clear that there needs to be cultural reform of Australian workplaces so that Australia can become an international leader in people management and so as to minimise the health risks that arise from the existence of poor workplace culture in Australian businesses.

Australian management culture and practices

²⁷ J Evans and J Repper (2007) 'Employment, social inclusion and mental health', *J Psychiatr Ment Health Nurs*, 7, 15-24.

²⁸ N Cable, A Sacker & M Bartley (2009) 'The effect of employment of psychological health in mid-adulthood: findings from the 1970 British Cohort Study', *Journal of Epidemiol Community Health*, 62(10).

²⁹ This business case for improving workplace culture is explored more comprehensively in Section Two.

- 26.4** There are a proliferation of theories that seek to explain management practices, how they function and the methods by which they can be optimised.
- 26.5** At one level, one can look at the topography of a workplace from the perspective of frameworks for understanding the predominant culture of the workplace as a whole: what kinds of behaviour are tolerated or promoted, how is effort rewarded, what kinds of incentives are put in place to achieve goals, how problems are typically solved and how change is dealt with. The shape of the organisational culture, as a whole, has an impact on the individuals who work in that environment.
- 26.6** At another level, individuals within a workplace can behave in particular ways which have an impact on others with whom they work, which may well be at variance to the pattern of behaviour which predominates in the organisation as a whole.
- 26.7** Regardless of the theoretical framework used, it is intuitively accepted and empirically demonstrable that ineffective and sub-optimal management practices have an adverse impact on the employees who are subject to them.
- 26.8** A study conducted in 2007 by researchers at Bond University³⁰ looked at the impact of bad leaders on the employees and the organisations, which were the recipients of that bad leadership. In the report of their research, the authors state that their data indicates that “bad leaders are capable of having an incredibly negative effect both on their subordinates and the organisation as a whole. At the individual level, followers suffered negative emotional reactions, stress, lowered self esteem and loss of confidence. While these effects are evident in the workplace, they also intrude into the personal lives of followers, having broader social implications in terms of family stability, personal relationships and health”.
- 26.9** A comprehensive study of workplace culture across different countries has found that Australia lags behind in people management. Human Synergistics International Limited, is involved in organisational development and training and has developed a set of measurement tools for assessing leadership styles, organisational culture and effectiveness. For the past seven years they have published a “State of the Nations Research and Results” book.³¹ The publication is a compilation of the data collected from their various measurement tools together with implications for culture, leadership and organisational performance. Human Synergistics uses a framework according to which leadership behaviour can be described as falling within three primary styles, being: a constructive style, a passive/defensive style or an aggressive/defensive style. According to these assessments, the 2008 results indicate that Australian organisation cultures tend to be more passive/defensive and aggressive/defensive, rather than constructive. This has meant that Australian workplaces tend to be associated with higher degrees of stress and conflict, with less receptivity to fresh ideas and innovative practices.

Australian work/life balance

- 26.10** Essential to achieving a supportive workplace culture that values employee wellbeing is the promotion of balance between an employee’s work and the rest of their life.

³⁰Erickson, A. Shaw, J.B. Agabe, Z (2007) “An Empirical Investigation of the Antecedents, Behaviours and Outcomes of Bad Leadership” *Journal of Leadership Studies* Vol 1 (3) pp26-43

³¹“The Leadership Culture Performance Connection. Transforming Leadership and Culture. The State of the Nations. The Research Results Book 2008 Australia and New Zealand”, Shaun McCarthy, Human Synergistics International

- 26.11** The 2009 Australian Work, Life and Workplace Flexibility survey found that Australia ranks ninth out of 32 countries in achieving work/life balance.³² Approximately one in five Australians believes that work does not fit well with their family and social commitments. Longer working hours, and a significant difference between an individual's actual and preferred working hours, was a key factor contributing to the perceived work/life imbalance found in this survey.
- 26.12** Whilst longer working hours are only one aspect of poor workplace culture, when combined with increased stress and job insecurity, the cumulative effect is the creation of tense, conflict-ridden and unstable workplaces as the norm in Australia. Australians work 13% longer than the OECD average per employee,³³ and compared to most European nations, Australia has fewer holidays and 60% of Australians do not take their leave entitlements.³⁴ These factors have been said to make Australia "the most overworked nation in the world", as South Korea is the only other country, which works more unpaid hours on an annual basis.³⁵
- 26.13** Overwork and job pressures have become endemic to Australian workplace culture. Clive Hamilton, Executive Director of the Australia Institute notes: "Australia is not the land of the long weekend and the endless sickies as our mythology tells us. We are working longer and harder than anyone else in the world...Australians seem driven to work excessively at great cost to their health and personal relationships".³⁶

Conclusion

- 26.14** The combination of sub-optimal management practices by employers and the experience of increasing pressure on employees have led to the proliferation of poor workplace culture across Australia.
- 26.15** This is of growing concern given the adverse link between unsupportive and sub-standard workplace culture and health problems for employees.
- 26.16** The Australian Government needs to recognise that Australia is lagging behind international benchmarks for people management and workplace culture, and the need for reform in this area as part of the national preventative health strategy.

³² B Pocock, G Skinner & R Ichii (2009) "The Australian Work and Life Index 2009", University of South Australia, Centre for Work and Life, <http://www.unisa.edu.au/hawkeinstitute/cwl/documents/AWALI-%2009-full.pdf>.

³³ R Tiffen & R Gittens (2003) *How Australia Compares*, Cambridge, UK.

³⁴ P Holland (2009) "Thinking Drinking: Achieving Cultural Change by 2020, The New White Collar Workplace and Alcohol – A Dangerous Cocktail", Paper published by Australian Centre for Research on Employment and Work, Monash University at 5.

³⁵ Ibid.

³⁶ C Hamilton cited in F Buffini (2004) "Barbie's off, they've all gone to work," *The Weekend Australian Financial Review*, November 20-21: 7.

SECTION TWO

WHAT IS THE BUSINESS CASE FOR IMPROVING WORKPLACE CULTURE?

27 Introduction

- 27.1** Investing in workplace culture improves the success of business, and in turn, the success of the Australian economy overall. Australia has a unique opportunity to become an international employer of choice by investing in workplace culture and developing a comprehensive strategy for recognising the dignity and worth of its working people. Whilst traditionally labelled the “lucky country” after 1901 – an epithet earned partly because of Australia’s history of relatively high minimum wages and industrial fairness, this new century offers an opportunity for Australia to earn a new reputation, as an “international employer of choice”.
- 27.2** The research in this section shows that there is a clear link between workplace culture, the mental and physical wellbeing of employees and business performance. The ability of Australian businesses to manage their workplaces in a fair and reasonable manner provides an opportunity to improve the health of employees and the profitability of the business overall.
- 27.3** Research unequivocally shows that when a business invests in workplace culture the benefits are substantial.³⁷ The first incentive for investment in workplace culture is “responsibility”, in a manner analogous with corporate social responsibility. This is because adverse psychosocial work environments should be reduced to the extent supported by scientific evidence so as to improve employee health. The second incentive is “the cost of inactivity”, as a failure to invest in workplace culture will lead to greater costs associated with absenteeism, presenteeism and recruitment and training of new staff. The third incentive to improve workplace culture is the return on investment for improving quality of work organisation, including corporate brand reputation and product innovation.
- 27.4** Ultimately, the burden of poor workplace culture on employers is substantial and represents an area in which preventative measures will produce strong efficiency and productivity gains for the business. Increasing focus is being given by researchers to the business case for improving workplace culture. This section outlines the many different ways in which poor workplace culture can impact upon the bottom line for business and the Australian economy as a whole.

28 Presenteeism and Absenteeism

- 28.1** Poor workplace culture adversely impacts an employee’s commitment to the business and is usually associated with higher degrees of absenteeism and presenteeism. In contrast to absenteeism, when employees are absent from work, presenteeism encompasses the problems faced when employees come to work in spite of illness, which can have similar negative repercussions on business performance.

³⁷ Marmot M, Siegrist J, Theorell T: Health and the psychosocial environment at work. In *Social Determinants of Health* Second Edition. Edited by Marmot M, Wilkinson WG. New York. Oxford UP; 2006. 97-130

28.2 Research conducted by Econtech in 2008 found that stress-related presenteeism and absenteeism are directly costing employers \$10.11 billion a year. The following table summarises the findings of this study:³⁸

	Stress related presenteeism	Stress related absenteeism	Total
Total cost to economy	\$9.69b	\$5.12b	\$14.81b
Direct cost to employers	\$6.63b	\$3.48b	\$10.11b
Labour productivity lost	0.89%	0.47%	1.36%
Days lost per worker per year	2.1	1.1	3.2

28.3 A study by the United Kingdom Sainsbury Centre for Mental Health in 2007 noted that “the cost of neglecting mental distress at work is simply too high to be ignored any longer”.³⁹ This study found that mental health problems among staff costs UK employers nearly £26 billion per year in the form of sickness absence, reduced productivity at work and replacing staff who leave their jobs because of mental ill health.⁴⁰

28.4 Another study of workplace culture in the United Kingdom found that stress-related disorders have been estimated to account for up to 60% of absenteeism.⁴¹

28.5 According to data from the US Bureau of Labor Statistics, workers who must take time off work because of stress, anxiety or a related disorder will be off the job for about 20 days.⁴²

28.6 Thus, both international and local studies indicate that there is a clear business case for investment in workplace culture. Furthermore, in addition to the costs of presenteeism and absenteeism, it is important to note that the above research findings do not reflect the hidden cost of re-staffing and re-skilling, when stress results in staff turnover. As an employee’s stress levels increase, their health may not deteriorate to a clinical state, but they may instead resign before that point. In these cases, employers may not incur the direct costs associated with injury or illness, but may instead incur indirect costs from increased staffing expenses and lost productivity whilst there is no one in the job.

29 Productivity and Efficiency

29.1 Poor workplace culture has also been found to have a detrimental impact upon the productivity and efficiency of employees. Psychosocial stressors surrounding work and the workplace, if allowed to fester, can have unwelcome consequences for the ability of employees to perform at their optimum. These consequences can include compensation claims for conditions like post-traumatic stress disorder, stress adjustment disorder, clinical depression and anxiety.⁴³

29.2 In contrast, it has been found that when employers actively invest in workplace culture, there are significant improvements in business performance.

³⁸ Medibank Private, “The Cost of Workplace Stress in Australia”, Discussion Paper, Research conducted by Econtech, August 2008.

³⁹ Sainsbury Centre for Mental Health, *Mental health at work: developing the business case*, Policy paper 8, London: SCM, December 2007.

⁴⁰ Sainsbury Centre for Mental Health, *Mental health at work: developing the business case*, Policy paper 8, London: SCM, December 2007.

⁴¹ VicHealth, *Workplace stress in Victoria: Developing a systems approach*, Summary report, May 2006, p7.

⁴² Bureau of Labor Statistics (1996) Bureau of Labor Statistics Homepage [http://stats.bls.gov/] Tabular data, 1992-96: Number and percentage distribution of nonfatal occupational injuries and illnesses involving days away from work, by nature of injury or illness and number of days away from work.

⁴³ M Dollard & A Winefield, ‘Mental health: overemployment, underemployment and healthy jobs,’ in L Morrow et al (eds), *Mental Health and Work*, Adelaide, The Australian Network for Promotion, Prevention and Early Intervention for Mental Health, 2002 at 12.

- 29.3** The introduction of a comprehensive mental wellbeing strategy by British Telecommunications led to a reduction of 30% in mental health related sickness absence and a return to work rate of 75% for people absent for more than six months with mental health problems.⁴⁴
- 29.4** The results of an Australian programme of early diagnosis and intervention for employees with depressive symptoms indicate annual financial benefits in terms of higher productivity, which are nearly five times the annual costs of the programme.⁴⁵
- 29.5** A programme in the US to identify mental health problems at work shows annual financial benefits of \$1,800 per employee compared with costs of only \$100-\$400 a year.⁴⁶
- 29.6** A study by the UK Sainsbury Centre for Mental Health in 2007 estimated that simple steps to improve the management of mental health in the workplace, including the early identification and remedying of problems should allow employers to save at least 30% of costs associated with managing staff.⁴⁷
- 29.7** Another way in which improved workplace culture can improve business performance is in improving the commitment and focus of employees at work. This minimises the risk of employee error, which can often be very costly for the business.
- 29.8** A US company conducted several studies on the effects of stress prevention programs in hospital settings. Program activities included employee and management education on job stress, changes in hospital policies and procedures to reduce organisational sources of stress and the establishment of employee assistance programs. In one study, medication errors declined by 50% after stress prevention activities were implemented in the hospital. In a second study, there was a 70% reduction claims in 22 hospitals that implemented stress prevention activities. In contrast, there was no reduction in claims in a matched group of 22 hospitals that did not implement stress prevention activities.⁴⁸

30 Workplace Excellence

- 30.1** Another overriding reason for businesses to invest in workplace culture is that the quality of workplace relationships has been found to be the single most important driver of excellence in Australian workplaces. A comprehensive 2003 study of Australian workplaces found that while other factors such as 'workplace leadership', 'clear values', 'being safe', 'pay and conditions', 'getting feedback' and the like were important, no factor was as important as 'quality working relationships' in driving business excellence.⁴⁹

⁴⁴ A Wilson (2007) *The Commercial Case for Health and Wellbeing*, Presentation to the National Employment and Health Innovations Network, London, 20 July 2007.

⁴⁵ M Hilton (2005) *Assessing the financial return on investment and good management strategies and the WORC project*, WORC Project paper, available at [http://www.qcmhr.uq.edu.au/worc/Documents/Hilton_Paper\(2005\).pdf](http://www.qcmhr.uq.edu.au/worc/Documents/Hilton_Paper(2005).pdf).

⁴⁶ P Wang, G Simon, J Avorn, F Azocar, E Ludman, J McCulloch, M Petukhova and R Kessler (2007) 'Telephone screening, outreach and care management for depressed workers and impact on clinical and work productivity outcomes,' *Journal of the American Medical Association*, 298(12), 1401-1411.

⁴⁷ Sainsbury Centre for Mental Health, *Mental health at work: developing the business case*, Policy paper 8, London: SCMh, December 2007.

⁴⁸ JW Jones, BN Barge, BDSteffy, LM Fay, LK Kuntz & LJ Wuebker (1988) "Stress and medical malpractice: organizational risk assessment and intervention", *Journal of Applied Psychology*, 73(4), 727-735.

⁴⁹ D Hull & V Read (2003) *Simply the Best: Workplaces in Australia*. (Working paper no.88), ACIRRT, Sydney, Australia, University of Sydney.

30.2 This report concluded that: "In all our 'excellent workplaces' the atmosphere of mutual trust and respect was overwhelming. We became convinced that central to every excellent workplace is an understanding that to produce quality work in Australia, one must have quality working relationships. This applies particularly to workplaces with high levels of uncertainty, demanding skill requirements and turbulent markets. The research revealed that building and maintaining good working relationships requires constant renewal and reaffirmation by all parties".⁵⁰

30.3 Investment in workplace culture is a key way in which business can achieve quality working relationships. The Australian Standard of Employment Rights provides a clear and concise blueprint covering all facets of the employment relationship as to how employers and employees can improve workplace culture.

31 Corporate Brand and Reputation

31.1 Workplace culture influences customer and external perceptions of the corporate brand. Employees are pivotal in enacting the attributes of a corporate brand and their actions ultimately foster customer experience – whether good or bad. Evidence shows that brands develop through consistent and positive consumer experience over time. Thus, there is a clear business case for investing in workplace culture so as to strengthen the corporate brand and reputation of the business.

31.2 Staff actions either reinforce or undermine the promises a brand makes to its consumers. Favourable employee treatment ensures that employees working internally within the business are consistent and in sync with the external message and brand of the business. As Harris states: "Employees have the formidable task of demonstrating the brand by the actions they take. The adage *actions speak louder than words* is a truth that holds firm in the process of building successful brands".⁵¹

31.3 Temi Abimbola, the editor-in-chief of the Journal of Brand Management states: "Empowered by access to information, consumers are driven not just by the brand alone, but also an evaluation based on their views of the organisation behind the brands. Consumer technological sophistication and an array of information (through blogs, word of mouth, employee [feedback], industry news, and so on) influence what a brand offers to become worthwhile to the consumer".⁵²

31.4 A recent study by Ceridwyn King and Debra Grace found that favourable workplace culture has a significant impact on the corporate brand.⁵³ King and Grace state that: "realisation of human capital that is brand aware, but more importantly, able to deliver the brand promise, demands a work environment that fosters encouragement as well as an appreciation and understanding of the organisation's employees". They conclude that this will not only lead to greater attraction and retention of talented individuals but, more importantly, facilitate "the creation of a culture and a system that enables such employees to use their talents".⁵⁴

⁵⁰ Ibid at 11.

⁵¹ P Harris (2007) 'We the people: The importance of employees in the process of building customer experience', *Brand Management*, 15(2) at 102.

⁵² T Abimbola (2009) "Brand, organisation identity and reputation: Bold approaches to big challenges", *Journal of Brand Management*, 16, 219-220.

⁵³ C King & D Grace (2008) "Internal Branding: Exploring the employee's perspective", *Journal of Brand Management*, vol.15(5) 358-372.

⁵⁴ C King & D Grace (2008) "Internal Branding: Exploring the employee's perspective", *Journal of Brand Management*, vol.15(5) at 360-361.

31.5 The King and Grace study looked at the factors considered by employees to be necessary for them to successfully deliver their employer's corporate brand promise. It was unequivocally found that the "human factor" was important here – that is, while training, internal marketing and the provision of information to employees about the corporate brand are of use, it is only through the appropriate treatment of employees by the organisation that the corporate brand is likely to be believed in, and supported, by employees. King and Grace conclude: "Simply giving employees information is insufficient to attract, retain and motivate employees to be brand champions. Rather the development of long-term, mutually beneficial relationships between an employer and employee is advocated".

32 Staff Attraction and Retention

32.1 Whilst it is well recognised that businesses that invest in workplace culture are likely to improve staff attraction and retention, what is less acknowledged is the need for Australia to invest in workplace culture across the economy so as to become an "International Employer of Choice".

32.2 Australian businesses frequently search internationally for senior executives and other employees. It is sometimes argued that the combination of geographic isolation, onerous taxation structures and the dislocation of moving families extensive distances to Australia militate against the success of Australian businesses in attracting executives. It is argued that this challenge will be improved if those potential recruits, required to relinquish existing financial and employment security to accept a role in Australia are aware of Australia's reputation as an international employer of choice with a consistently positive workplace culture.

SECTION THREE

WHY A NATIONAL SYSTEM OF ACCREDITATION?

33 Introduction

- 33.1** The greatest investment the Australian Government can make in preventative health is to acknowledge and address the adverse health impact of poor workplace culture. The current debates about health reform and workplace relations reform present a unique opportunity for the Australian Government to link health initiatives aimed at addressing the need for cultural reform of Australian workplaces with workplace relations initiatives such as those under the Fair Work Act 2009.
- 33.2** It is clear that a systemic approach to managing workplace culture is required. Research shows that improving workplace culture cannot be left to the sole discretion of individual employers as this will mean that some Australians miss out.⁵⁵ A case-by-case approach to investment in workplace culture will be subject to the financial conditions of the business, its human resources expertise and the priorities of those in leadership. Given the clear business and community case for investment in workplace culture, this requires a comprehensive national approach.
- 33.3** The AIER believes that this is best administered at a federal level. In addition to initiatives such as the development of procurement guidelines, the Australian Government needs to lead the way by developing a National Accreditation System that would educate employers and other workplace participants, and encourage their alignment with the objectives and values of the system. This National Accreditation System should be administered by a National Centre for Workplace Partnerships.
- 33.4** The AIER recommends that the National Accreditation System be built around three main objectives.
- (a) Just as the Australian Charter of Employment Rights is intended to apply in all workplaces, the National Accreditation System should be aimed to be *accessible* to all. This will be achieved by ensuring that the costs and complexity of the system do not preclude small businesses or those with limited human resources expertise from engaging with it.
 - (b) The National Accreditation System should also seek to be *inclusive* of employers, workers and their representatives. The system should be underpinned by a tripartite philosophy that aims to balance the rights and legitimate expectations of workers and employers with the public interest.
 - (c) Thirdly, the National Accreditation System should aim to influence workplace culture in Australia by being an *educative* tool. The system should provide the means by which Australia can become an international employer of choice because of the improved understanding and awareness of workplace culture by all Australian businesses.
- 33.5** The National Accreditation System should be administered by a new body, a National Centre for Workplace Partnerships. The work of this Centre should complement the existing statutory bodies of Fair Work Australia and/or the Fair Work Ombudsman.

⁵⁵ For a literature review of the relevant research in this area, see Section 3, Part 2.2.

33.6 Ultimately, the National Accreditation System should be used to prevent physical and mental illnesses developing from adverse workplace culture. The ongoing degradation to a person's mental and physical health via a "death by a thousand cuts" needs to be prevented by a proactive approach that guarantees best practice in Australian workplaces. There is a pressing need for reform in this area so that Australian businesses are genuine sites of "fair work" and so that Australia, as a country, is built upon the dignity and respect accorded to every working person.

34 A "Systems Approach" to Managing Workplace Culture

34.1 A "systems approach" is needed for managing the health challenges arising from poor workplace culture.

34.2 A systemic approach is advocated by VicHealth in its 2006 report, "Workplace Stress in Victoria: Developing a Systems Approach".⁵⁶ The report concluded that a systems approach to job stress is more effective than other alternatives, yielding benefits to individuals, such as decreased stress and improved health, and organisations, particularly in terms of decreased absenteeism and presenteeism.

34.3 A systemic approach to dealing with workplace culture guarantees long term and universal cultural reform of Australian workplaces. Such an approach addresses the challenge of workplace culture at the source. In an article published in the *Health Promotion Journal of Australia* in 2007,⁵⁷ La Montagne, Keegel, Vallance, Ostry and Wolfe note that despite the evidence that systems approaches are most effective in reducing the adverse impact of job stress, prevalent practice is dominated by strategies which focus on the individual in the absence of commensurate intervention on working conditions. The authors advocate the use of systems approaches, that is, approaches which emphasise primary prevention and addressing hazards at their source as the optimum method for dealing with job stress and its adverse effects on mental, physical and organisational health. The authors note that systems approaches to job stress are consistent with leading authoritative statements and declarations from policy and practice agencies including the World Health Organisation, the European Network for Workplace Health Promotion and the European Agency for Safety and Health at Work.

34.4 There is significant unrealised potential for improving worker health through a systematic national investment in workplace culture via a National Accreditation System. This system should focus on encouraging businesses to improve their proactive ability – that is, their willingness to invest in the future by constructing policies, procedures and a culture that are predicated on notions of fairness, dignity and respect. Such an approach recognises that prevention is much more effective than reaction.

34.5 In the field of corporate governance more generally, it is accepted that a systemic approach to managing risks facing the business is essential. These risks can arise on any number of fronts – from occupational health and safety, credit arrangements, the external economic environment, intellectual property concerns and so on. Risk management has become integral to the modus operandi of Australian business. The AIER recommends that the risks arising from poor workplace culture are viewed as seriously as other risks. The Australian Government, employers and other workplace participants should drive

⁵⁶ Anthony D. LaMontagne et al (2006) "Workplace Stress in Victoria: Developing a Systems Approach", report to the Victoria Health Promotion Foundation.

⁵⁷"Protecting and promoting mental health in the workplace: developing a systems approach to job stress" by Anthony D La Montagne, Tessa Keegel and Deborah Vallance, *Health Promotion Journal of Australia* 2007; 18; 221-8

a cultural reform process by which best practice people treatment becomes the lifeblood of every Australian workplace.

- 34.6** In the area of occupational health and safety it is universally recognised that a systemic approach is required to manage the risks of safety in the workplace. The law has progressed significantly since the Robens Review in the United Kingdom into occupational health and safety. As a result, Australian law places the onus on employers to take responsibility for guaranteeing the health, safety and welfare of all workplace participants. A collaborative approach including all stakeholders is recognised as key to ensuring occupational health and safety in the workplace.
- 34.7** While occupational health and safety legislation recognises the onus on employers to protect employees from physical and mental health risks resulting from poor workplace culture, it is extremely rare for an employer to be prosecuted in this area. Enforcement mechanisms exist for ordering penalties for a workplace injury or death arising from a physical hazard. However, for an employee who, having been subject to long term bullying and other negative behaviours at work, develops a serious mental illness or even dies, there is usually no effective mechanism to monitor this abuse and to enforce a penalty against the employer. Without such a mechanism there is little incentive for employers to improve workplace culture, and certainly very little to deter them from the existence of poor workplace culture in their business.
- 34.8** Accordingly, the subtle and destructive nature of adverse workplace culture which can manifest itself in a “death by a thousand cuts” needs to be addressed. In this way, a National Accreditation System would address workplace culture over the long term. Such a comprehensive and systemic approach lends itself to focussing on the preventative ability and willingness of the business to minimise physical and mental illness arising from adverse culture in the present, as well as, in the future.
- 34.9** Thus, it is clear that a systemic approach to managing workplace culture is required. The AIER believes that this is best administered at a federal level through a National Accreditation System.

35 How the Proposed National Accreditation System will Operate

- 35.1** It is recommended that the foundation stones of the National Accreditation System be:
- (a) The Australian Charter of Employment Rights (“the Charter”); and
 - (b) The Australian Standard of Employment Rights (“the Standard”).
- 35.2** In 2007, the AIER undertook a comprehensive public consultation process about the nature of employment rights in Australia that resulted in the development of the Charter. This Charter sought to re-define workplace regulation by identifying the fundamental values which good workplace relationships and good law, made to enhance those relationships, must be based upon. The launch of the Standard in 2009 represents the next phase of this important work, aiming to facilitate cultural reform in Australian workplaces so that they are genuinely places of harmony and dynamism.

The Australian Standard of Employment Rights – A Focus on Prevention

- 35.3** The Standard translates the ideals and values embodied in the ten Charter rights into practical principles that can be applied in the workplace. The Standard comprises a number of key components applicable to all workplaces regardless of their industry or background. In using the Standard, the National

Accreditation System will encourage business to adapt the components of the Standard to the specific circumstances of their workplace. In this way, the system will recognise that there is no single "right way" to improve workplace culture, but that the best businesses are those that build on the principles in the Standard in a dynamic and innovative way.

- 35.4** The Standard encourages business to improve both their reactive and proactive ability, with the particular emphasis of the National Accreditation System being on the latter because of the benefits for preventative health. For example, section 2(a) of the Standard requires employers and workers to commit to recognising and affirming the dignity of every person in the workplace. Section 2(b) requires a zero tolerance approach to bullying and harassment in the workplace and section 2(e) mandates that every person in the workplace is committed to treating others with respect. Other examples of the preventative orientation of the Standard are section 10(a) which requires the business to have a well-designed dispute resolution process, accessible to all staff, and offering both formal and informal options, and section 5(a) which requires both employers and workers to reject adversarial workplace relations and commit to seeking mutually beneficial outcomes.
- 35.5** In this way, the AIER advocates that the Standard be used as a tool to assess whether an employer can be accredited as a "Charter Employer" by reference to the workplace goals contained in the Australian Charter of Employment Rights.
- 35.6** The AIER recommends that employers will be accredited according to the principle of "reasonable progress to reasonable proximity". This principle allows for differences in size, background and history of businesses. Compliance with the Charter will be measured relatively: employers will be assessed according to the progress they have made from their own starting point. The acceptable "zone" of reasonable proximity will depend on the particular circumstances of the business. The system will focus on the extent to which a business is improving its achievement of the Standard.
- 35.7** Upon entry in the accreditation system the business will be accorded the status of "Charter participant" as recognition of its ongoing commitment. So, although the business may not achieve full accreditation for a number of years, its involvement in the process will still be valued.

A National Centre for Workplace Partnerships – A Focus on Cultural Change

- 35.8** The National Accreditation System should be administered by a National Centre for Workplace Relationships or like body, that fosters cultural change in Australian workplaces. The aim of this Centre would be to:
- promote good faith and industrial fairness
 - shift the industrial relations climate to one of engagement around issues of mutual trust
 - help to re-orient firms towards developments which improve quality, innovation and responsiveness to emerging market opportunities
 - provide a positive role for trade unions to play in the workplace.
- 35.9** The potential public benefits are substantial and include:
- reduced transactional costs in forming and maintaining workplace relationships

- reduced levels of industrial disputation and loss of productivity via hidden dissatisfaction and low morale
- more adaptive production base
- accelerated pace of organisational and cultural change
- improved social cohesion resulting from greater satisfaction with work and improved productivity and economic sustainability.

35.10 A National Centre for Workplace Partnerships should be guided by the following objectives:

- improving the quality of working lives of individual Australians
- creating conditions for business success
- enhancing social cohesion via the promotion of respectful workplaces and workplace partnerships
- educating the Australian public about fair work practices.

35.11 The Government should provide the seed funding for the establishment of A National Centre for Workplace Partnership however it should ultimately be resourced and managed by a collaborative arrangement between the union movement and representatives of employers (with some government support) in order that it become a true partnership initiative. It would be complementary to other initiatives carried out by Fair Work Australia and the Fair Work Ombudsman. AIER believes that these existing regulatory and administrative agencies will not readily be able to foster the front-end cultural change that is required. New collaborative institutions should be established.

35.12 In order to encourage ongoing engagement with the National Centre for Workplace Partnerships, the Federal Government should consider the establishment of tax incentives for businesses that achieve accreditation. This will provide an additional impetus to employers to devote resources, time and energy to improve workplace culture over the long term. The provision of favourable tax structures for businesses that achieve accreditation ensures that improved workplace culture is seen as a genuine and serious preventative health and workplace relations priority of the Federal Government.

ANNEXURE ONE

RECOMMENDATIONS

- 1 The Federal Government should make addressing Australia's endemically unhealthy workplace culture a key priority area under its preventative health budget.
- 2 The Federal Government should commit to establishing a National Accreditation System.
- 3 The National Accreditation System should be underpinned by the Australian Charter of Employment Rights and the Australian Standard of Employment Rights.
- 4 To administer the National Accreditation System, the Federal Government should:
 - (a) Use the existing statutory bodies of Fair Work Australia and/or the Fair Work Ombudsman to promote education, awareness and best practice in workplace culture; and
 - (b) Provide seed funding for the establishment of a National Centre for Workplace Partnerships who would work in conjunction with the existing statutory bodies to administer the accreditation system, promote education, awareness and best practice in workplace culture.
- 5 In the event that the National Accreditation System is to be otherwise operated, the Federal Government should promote recognition of the system and its value to Australia.
- 6 The Federal Government should seek accreditation as an Employer and implement the Australian Charter of Employment Rights and the Australian Standard of Employment Rights as part of its employment policy, and encourage State, Territory and Local Governments to do the same.
- 7 The Federal Government should use the Australian Charter of Employment Rights and the Australian Standard of Employment Rights as part of its procurement policy. The AIER proposes that the Australian Standard of Employment Rights be used to tangibly measure compliance with the Fair Work Principles.
- 8 The Australian Charter of Employment Rights and the Australian Standard of Employment Rights should be used by the Federal Government to promote education of workplace rights and responsibilities in Australian schools. An initiative such as this is currently being developed by the Victorian Government.
- 9 The National Taskforce for Preventative Health should be an ongoing body charged with assessing recommendations on the implementation of improved health in Australian workplaces, including via the National Accreditation System.
- 10 The next task of the National Taskforce for Preventative Health should be to promote mechanisms for improved workplace culture in Australia.
- 11 In the likely event that cultural reform of Australian workplaces leads to improvement in workplace culture and a corresponding unburdening of the health system according to key performance indicators, the Federal Government should consider setting up favourable tax structures to encourage business engagement with, and participation in, the National Accreditation System.

- 12 By establishing tax incentives for businesses to achieve accreditation, the Federal Government will be ensuring that improving workplace culture is built into the lifeblood and objective of all businesses in Australia. Australia, as a whole, will greatly benefit from such an investment in preventative health and workplace culture.

ANNEXURE TWO

ABOUT THE AUSTRALIAN INSTITUTE OF EMPLOYMENT RIGHTS

- 1 The Australian Institute of Employment Rights (AIER) is an independent not-for-profit organisation committed to the promotion, recognition and implementation of the rights of workers and employer sin a co-operative industrial relations framework.
- 2 In 2007 the AIER undertook a comprehensive public consultation about the nature of employment rights in Australia that resulted in some of Australia's leading academics, lawyers and industrial relations practitioners developing the Australian Charter of Employment Rights. The Charter has become a blueprint for assessing government policy, for legislative reform, for company practice and for education about workplace rights.
- 3 Having launched its magazine *The Debate* to critical claim in 2008, the AIER continues to produce quality publications, convene public forums, participate in extensive lobbying and consult employers and workers in an attempt to improve the culture of Australia's workplace.
- 4 In 2009 the Australian Institute of Employment Rights has launched the Australian Standard of Employment Rights, which provides a benchmark against which employers and workers can measure the health of their workplace culture.

ANNEXURE THREE

THE AUSTRALIAN CHARTER OF EMPLOYMENT RIGHTS

Recognising that

improved workplace relations requires a collaborative culture in which workers commit to the legitimate expectations of the enterprise in which they work and employers provide for the legitimate expectations of their workers

And drawing upon

Australian industrial practice, the common law and international treaty obligations binding on Australia, this Charter has been framed as a statement of the reciprocal rights of workers and employers in Australian workplaces.

1 Good Faith Performance

Every worker and every employer has the right to have their agreed terms of employment performed by them in good faith. They have an obligation to co-operate with each other and ensure a "fair go all round".

2 Work with Dignity

Recognising that labour is not a mere commodity, workers and employers have the right to be accorded dignity at work and to experience the dignity of work. This includes being:

- treated with respect
- recognised and valued for the work, managerial or business functions they perform
- provided with opportunities for skill enhancement and career progression
- protected from bullying, harassment and unwarranted surveillance.

3 Freedom From Discrimination and Harassment

Workers and employers have the right to enjoy a workplace that is free of discrimination or harassment based on:

- race, colour, descent, national, social or ethnic origin
- sex, gender identity or sexual orientation
- age
- physical or mental disability
- marital status
- family or carer responsibilities
- pregnancy, potential pregnancy or breastfeeding
- religion or religious belief
- political opinion
- irrelevant criminal record
- union membership or participation in union activities or other collective industrial activity
- membership of an employer organisation or participation in the activities of such a body
- personal association with someone possessing one or more of these attributes.

4 A Safe and Healthy Workplace

Every worker has the right to a safe and healthy working environment.

Every employer has the right to expect that workers will co-operate with, and assist, their employer to provide a safe working environment.

5 Workplace Democracy

Employers have the right to responsibly manage their business.

Workers have the right to express their views to their employer and have those views duly considered in good faith.

Workers have the right to participate in the making of decisions that have significant implications for themselves or their workplace.

6 Union Membership and Representation

Workers have the right to form and join a trade union for the protection of their occupational, social and economic interests.

Workers have the right to require their union to perform and observe its rules, and to have the activities of their union conducted free from employer and governmental interference.

Every worker has the right to be represented by their union in the workplace.

7 Protection from Unfair Dismissal

Every worker has the right to security of employment and to be protected against unfair, capricious or arbitrary dismissal without a valid reason related to the worker's performance or conduct or the operational requirements of the enterprise affecting that worker. This right is subject to exceptions consistent with International Labour Organization standards.

8 Fair Minimum Standards

Every worker is entitled to the protection of minimum standards, mandated by law and principally established and maintained by an impartial tribunal independent of government, which provide for a minimum wage and just conditions of work, including safe and family-friendly working hours.

9 Fairness and Balance in Industrial Bargaining

Workers have the right to bargain collectively through the representative of their choosing.

Workers, workers' representatives and employers have the obligation to conduct any such bargaining in good faith.

Subject to compliance with their obligation to bargain in good faith, workers have the right to take industrial action and employers have the right to respond.

Conciliation services are provided where necessary and access to arbitration is available where there is no reasonable prospect of agreement being reached and the public interest so requires.

Employers and workers may make individual agreements that do not reduce minimum standards and that do not undermine either the capacity of workers and employers to bargain collectively or the collective agreements made by them.

10 Effective Dispute Resolution

Workers and employers have the right and the obligation to participate in dispute resolution processes in good faith, and, where appropriate, to access an independent tribunal to resolve a grievance or enforce a remedy.

The right to an effective remedy for workers includes the power for workers' representatives to visit and inspect workplaces, obtain relevant information and provide representation.

ANNEXURE FOUR

THE AUSTRALIAN STANDARD OF EMPLOYMENT RIGHTS

RECOGNISING THAT:

improved workplace culture requires workers and employers to recognise their pivotal role as industrial citizens.

AND BUILDING UPON:

the Australian Charter of Employment Rights, this Standard has been framed as a statement of the reciprocal rights and responsibilities of workers and employers in Australian workplaces which have received the distinction of being a 'Charter-Accredited Workplace'.

1 GOOD FAITH PERFORMANCE

- A Employers and workers do not seek to mislead, deceive or trick each other but always seek to act in an honest and trustworthy manner.
- B Employers and workers do not abuse any powers or discretions granted to them in the employment contract.
- C No person in or associated with the workplace is subjected to harassment or humiliation so as to cause psychological harm or distress.
- D Workers and employers act in good faith during termination of the employment relationship. Workers are dismissed only for a reason relating to their performance or conduct, or for operational business reasons. Workers are willing to serve the notice period required in their contract if they decide to terminate their employment.
- E Employers and workers do not maliciously damage the reputation of the other.
- F Employers do not seek to place an illegitimate restriction on the freedom of workers to pursue their careers once their employment relationship is over.

2 WORK WITH DIGNITY

- A Employers and workers are committed to recognising and affirming the dignity of every person in the workplace.
- B There is no bullying and harassment in the workplace.
- C The employer regularly invests in the skill formation of workers and appropriate career paths are developed within the workplace.
- D Surveillance of the workplace only occurs with the consent of workers and when used for a legitimate purpose.
- E Every person in the workplace is committed to treating others with respect.

3 FREEDOM FROM DISCRIMINATION AND HARASSMENT

- A The employer is committed to achieving a workplace that is free from discrimination and harassment based on protected attributes.

- B The employer makes non-discriminatory decisions about all work related matters by giving every worker and job applicant fair access to all workplace opportunities and benefits.
- C The employer has a clear set of policies and procedures for addressing and managing the risks arising from discrimination and harassment in the workplace. This includes:
- i preparing and distributing a written policy on discrimination and harassment
 - ii ensuring that there is in place a protective investigation process which deals with complaints promptly and properly
 - iii maintaining thorough records and (subject to legal requirements) guaranteeing confidentiality
 - iv promoting the policy throughout the business
 - v providing training on operation of the policy to all workers, including those in leadership positions
 - vi if possible, appointing trained discrimination and harassment contact officers
 - vii reviewing work practices and regularly monitoring and evaluating the workplace culture to ensure compatibility with appropriate standards
 - viii guaranteeing that no worker will be victimised for making a complaint or for supporting someone who has done so
 - ix ensuring that all parties to the complaints process are permitted to have a support person, advocate, union official or other similar representative accompany them to any interviews or meetings
 - x providing a worker who has suffered discrimination or harassment in the workplace with access to counselling services or other employee assistance programs
 - xi dealing with perpetrators in a manner proportionate to the severity of their behaviour
- D All workers are committed to achieving a workplace that is free from discrimination and harassment based on protected attributes.

4 A SAFE AND HEALTHY WORKPLACE

- A The employer is committed to making safety part of the lifeblood of the business by minimising exposure to health hazards and taking all steps to minimise deaths and injuries in the workplace.
- B The employer has a systematic, proactive and comprehensive risk management process to ensure the achievement of a safe and healthy workplace.
- C There is consultation with workers about major changes to safety and health measures as well as changes to work that may have safety or health implications.
- D Workers are given the opportunity to be represented in dealings with their employer concerning health and safety issues.
- E There is adequate information, instruction, training and supervision given to workers to enable them to perform their work in a manner that is safe and without risks to health.
- F The workplace is free of bullying, stress, abuse and anxiety that is detrimental to the worker's mental health.
- G All workers are committed to achieving a safe and healthy workplace and to cooperating with management about workplace safety measures.

5 WORKPLACE DEMOCRACY

- A Both employers and workers reject adversarial workplace relations and commit to seeking mutually beneficial outcomes.
- B The employer does not have a blanket managerial prerogative but is committed to managing the business in a responsible manner.
- C Both employers and workers are committed to engaging in constructive dialogue. As part of this, workers are allowed to express their views in the workplace and have their views considered in good faith by their employer.
- D In the case of business decisions that have significant implications for workers such as workplace restructuring, workers have the opportunity to participate in the decision-making process by being provided with information and meaningful consultation.
- E Workers are committed to cooperating with and supporting the employer's right to responsibly manage their business.

6 UNION MEMBERSHIP AND REPRESENTATION

- A Workers are not discriminated against or treated detrimentally for joining or being a member of a union or on account of their union activities.
- B No job or other employment benefit is offered on the condition that the worker is not a union member or relinquish the right to union representation.
- C The employer does not refuse to recognise a union or punish its members for participating in lawful industrial activity.
- D The employer recognises that the right to collectively bargain is an integral aspect of union membership.
- E The employer does not restrict the role of the union in representing workers within the workplace.
- F Workers and their unions exercise their right to collectivism, responsibly, in good faith and with regard to their ongoing employment relationship and the dignity of every person in their workplace.

7 PROTECTION FROM UNFAIR DISMISSAL

- A The employer has a systematic and comprehensive risk management process to managing dismissals or terminations of employment in the workplace.
- B The employer has a legitimate reason for termination of employment when that termination relates to the worker's conduct
- C Prior to termination and where possible, an employer should warn the worker about conduct or performance matters so that the worker has a reasonable opportunity to rectify the conduct or improve performance.
- D Workers who are being dismissed are entitled to procedural fairness in the dismissal process.
- E Where a worker is terminated because of the employer's operational requirements, the termination is to be treated as a redundancy, and procedures for determining and dealing with redundancies are followed.

F The employer is committed to respecting the dignity of all those involved in the termination process

8 FAIR MINIMUM STANDARDS

A The employer is committed to complying with fair minimum standards imposed externally to the workplace.

B The employer, in consultation with workers, is willing and committed to providing fair standards that build upon the legislative minimum and which are tailored to the needs of the workplace.

C The employer respects the need of workers to live a fulfilling life and to attain a fair balance between work and the rest of their lives. In recognising this, the business is committed to developing policies on flexible work practices, parental leave, working hours and workloads, and other conditions within the workplace.

9 FAIRNESS AND BALANCE IN INDUSTRIAL BARGAINING

A Workers have the right to bargain collectively.

B All parties involved in bargaining for workplace agreements act in good faith and with due regard for the dignity and integrity of all persons in the workplace and relevant third parties.

C Workers have a right to use representatives of their choosing in the bargaining process.

D Workers have the right to use lawful industrial action as part of the bargaining process. Employers have a right to respond to this.

E The use of statutory individual agreements does not undercut collective agreements and is not used as a mechanism to avoid or undermine collective bargaining with workers.

10 EFFECTIVE DISPUTE RESOLUTION

A The process of dispute resolution is clearly documented and accessible to all workers, offering both formal and informal options.

B The employer has a well-designed dispute resolution process that aims to:

- i Guarantee timeliness, confidentiality and objectivity
- ii Be administered by trained personnel
- iii Provide clear guidance on the investigation process
- iv Guarantee that no worker is victimised or disadvantaged for making a complaint
- v Be regularly reviewed for effectiveness
- vi Guarantee that the worker can participate in the dispute resolution process without any loss of remuneration
- vii Graduate from informal to formal measures

C The dispute resolution process is procedurally fair.

D The process of dispute resolution allows the worker and the employer to be represented. Full access to relevant records and information as to the dispute resolution process is provided to the worker and their representative.

E If the dispute cannot be resolved at the workplace level, the dispute is referred to an independent and impartial body that has the power to resolve the dispute