

AWAs, COLLECTIVE AGREEMENTS AND EARNINGS:

BENEATH THE AGGREGATE DATA

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EXECUTIVE SUMMARY

1 Introduction (p1)

In introducing the 'WorkChoices' reforms, the federal government argued that they would encourage increased wages, particularly through Australian Workplace Agreements (AWAs). Using unpublished data from the Australian Bureau of Statistics (ABS) Employee Earnings and Hours (EEH) Survey for May 2006 (released March 2007), this report studies the effects of these reforms. The questions to be addressed include:

- > What are the differences in hourly earnings for typical employees on AWAs and collective agreements (CAs)?
- > What are the hourly earnings for employees on AWAs and CAs in different industries?
- > What are the hourly earnings for employees on AWAs and CAs in different occupations?
- > What are the hourly earnings for employees on AWAs and CAs by employer size?
- > What do these tell us about the motivations for and effects of AWAs? (p1)

2 WorkChoices (pp2-5)

- > WorkChoices abolished the 'no disadvantage' test, by which registered individual and collective agreements were assessed and approved, replacing it with five minimum standards. (p2)
- > There are only limited quantitative data on changes in pay and conditions under AWAs published by the Office of the Employment Advocate (OEA). However, leaked data revealed that in May–September 2006 68 per cent of AWAs abolished penalty rates (up 26 per cent on 2002–03), 52 per cent abolished overtime pay (up 107 per cent on 2002–03) and 76 per cent excluded shiftwork loading.
 - > Quantitative data also gave the first indication of the extent to which many conditions have been 'modified' through AWAs. Most AWAs abolished or reduced most 'protected' award conditions. Around nine tenths of AWAs either abolished or reduced penalty rates. Similarly, 88 per cent of AWAs abolished or 'modified' overtime rates; 89 per cent either abolished or 'modified' shiftwork loading; 82 per cent abolished or 'modified' public holiday payments; and 83 per cent abolished or 'modified' rest breaks. (pp3-4)
- > In the face of widespread public concern about the loss of conditions under WorkChoices, the federal government on 4 May 2007 announced amendments to WorkChoices, including a new 'fairness test' on agreements. However, this test is weaker than the former 'no disadvantage' test. The data in this report probably paint a more positive picture toward AWAs than that which would emerge if the survey had been undertaken in the second half of 2007. (pp4-5)

3 Method and limitations (pp6-9)

- > The EEH survey is deemed by the Commonwealth to be the most reliable source of data on earnings of employees under AWAs. The most representative data in this survey are those concerning average total hourly cash earnings of non-managerial employees. (pp6-7)
- > For most industries and occupations, comparisons between award-reliant workers and workers on agreements are of little value in telling us about the effects of agreements on pay. This is because the award-reliant group does not constitute a representative control group, and is instead disproportionately concentrated at the lower end of the award pay structure (except possibly in the hospitality industry).
 - > Hence, our interest in this paper is principally in comparing employees on AWAs with employees on registered collective agreements (CAs). (pp7-8)
- > Because of the potential for sampling error, especially in disaggregated data, where possible we seek verification of the trends we observe by considering whether broadly similar patterns are observed apparent in the 2004 data. (pp8-9)
- > Another limitation is that most of the wage data are expressed as averages, which can be biased by the inclusion of a small number of observations of workers with very high earnings. A more representative indicator of the situation of the 'typical' worker is provided by median earnings, and we use these data wherever available. (p9)

4 The motives for Australian Workplace Agreements and some consequent hypotheses (pp10-11)

- > Various possible explanations for the use of AWAs can be tested through hypotheses. (p10)
- > If AWAs are used predominantly for flexibility to benefit both employees and employers, then they should pretty consistently provide for higher hourly pay than registered collective agreements, across different employer types. (p11)
- > Conversely, if AWAs are predominantly used for cutting labour costs and avoiding unions, we would expect to see wide variations in the relationship between AWA earnings and earnings under registered collective agreements.
 - > The highest AWA premiums would be in situations where union avoidance strategies are important (such strategies have been well documented in finance, mining, communications and government administration).
 - > There would be shortfalls for AWA employees where union avoidance strategies were not important, for example in small businesses, where unions find organising difficult due to problems of small scale and do not therefore invoke an avoidance response from employers.

> Where cost-minimisation strategies were preferred, we would expect shortfalls for AWA employees to be most severe amongst workers with low skills levels or in low demand, highly competitive areas. (pp10-11)

> At the same time, institutional and market arrangements in each industry and occupation will also influence outcomes. For example, particular occupations within an industry may be traditionally non-union. This will need to be taken into account in understanding the patterns of earnings by industry and occupation. (p11)

5 Aggregate patterns (pp12-16)

> In 2006, employees on CAs earned an average of \$27.30 per hour, compared to \$25.30 per hour for employees on AWAs. Thus, employees on AWAs earned \$2.00 per hour less, that is they faced a shortfall of 7.3 per cent compared to workers on Registered Collective Agreements (CAs).

> However, averages can be deceptive, as they can be distorted by a small number of employees with high earnings: 69 per cent of AWA employees earn less than average AWA hourly earnings. (p12)

> A more representative indicator showed that median AWA earnings in 2006 were only \$20.50 per hour, some \$4.00 per hour below median earnings for CA employees. That is, the median AWA worker earned 16.3 per cent less than the median CA worker in 2006. (p12)

> In 2006, men on median AWA earnings earned 15.4 per cent less than men on median CA earnings in 2006. The median earnings for female non-managerial employees on AWAs was 18.7 per cent lower than corresponding median for females on CAs. (p13)

> The typical (median) Victorian on an AWA earned 23 per cent less than the median Victorian on a collective agreement. The bigger shortfall in Victoria probably reflects the different industry composition of employment in Victoria and different patterns of AWA penetration by industry. (p15)

> The federal government and sympathetic employer organisations have repeatedly stated that employees on AWAs earn twice as much as people on awards. Yet median hourly earnings for AWA employees were only 16 per cent above median award-only earnings. For women, median AWA earnings were only 5.6 per cent above median award-only earnings. This is before account is taken of the downward bias in the award wages estimates because workers on high award classifications tend to be earning above the award rate and therefore not be included in the award-only calculations. (p13)

> Median earnings of non-managerial workers on AWAs grew by 7.9 per cent between 2004 and 2006. This was less than the 9.9 per cent growth in median earnings of workers on CAs over the same period. (p14)

6 Firm size and agreements (pp17-21)

> There is a very stark relationship between firm size and the AWA/CA ratio. In organisations with less than 500 employees, the AWA/CA ratio is less than 100 per cent, that is, AWAs pay less than CAs. The wage shortfall widens as organisations get smaller. (p17)

> Hence, the 2006 shortfall is 3.5 per cent amongst organisations with 100–499 employees, rises to 12.4 per cent in organisations with 50–99 employees, 13.6 per cent in organisations with 20–49 employees and is a very substantial 26.3 per cent in organisations with fewer than 20 employees. Amongst large organisations with more than 1000 employees (the majority of whom are covered by collective agreements), there is a wage premium for AWAs of 30.8 per cent. The 2004 data follow a broadly similar pattern. (p17)

> For women, the broad pattern of a bigger shortfall in smaller organisations persists. The AWA shortfall for women was worse than that for men in the majority of size bands. (p20)

> These findings support the hypothesis that AWAs are frequently used for cost cutting or union avoidance. Very large firms and federal government departments have the resources and sophistication to mount concerted union avoidance strategies and use AWAs as part of that, offering wage premiums to induce workers to sign AWAs and/or financially penalising those who seek to remain on collective agreements. Smaller firms are not likely to follow this approach, and clearly are more likely to use AWAs as a cost minimisation tool, presumably through cutting penalty rates, overtime pay and other 'protected' award conditions.

> Had AWAs been used as a device for promoting flexibility for the mutual benefit of employees and employers, we would have expected that employees in small and medium firms would have gained in roughly similar proportions to those in large firms. This clearly is not the case. (p17)


7 Industry and agreements (pp22-26)

- > Of the 16 one-digit industry groupings in Australia, at May 2006, the AWA/CA ratio was below 100 per cent in nine of the 16 industries. In other words, AWA employees in the majority of industries received a lower hourly rate on their AWA than their counterparts did on CAs. (p22)
- > In 2006, the industry with the highest average wage premium for AWAs (worth 50 per cent) was communication services, an industry where significant union avoidance behaviour has been underway. The second highest premium was in government administration and defence (33 per cent) and the third highest premium was in finance and insurance (22 per cent), both industries where at least organisations are attempting to use AWAs to reduce union influence, and where employees in the more highly remunerated parts of an organisation are hired on individual contracts. (p22)
- > The only industry where union avoidance strategies are extensive and well documented, but in which there is no AWA premium, is mining, where AWA employees earned 3.6 per cent less than CA workers. The reason is probably that union membership remains strong in the collectively organised coal mining sector, where the career path for new entrants typically involves a period working for a contractor on an AWA until a permanent job in a mine, often covered by a collective agreement, can be obtained. The main way in which AWAs are used here to reduce union influence is by ensuring a readily available alternative labour supply in case of industrial action. Workers in metal ore mining, mainly non-union and dominated by individual contracts, work 5 per cent more hours but earn 21 per cent less per week than workers in coal mining. (p22)
- > Retail trade also has an AWA premium (18 per cent). This reflects the structure of awards and agreements in the industry, which provide that employees earning above a certain level are 'exempt' from the award or agreement. (pp22-23)
- > Hospitality (accommodation, cafés and restaurants) is the only industry where the majority of workers are award-reliant, and hence the earnings of award-reliant employees are least likely to distort the distribution of award rates. In this industry, AWAs paid on average 2 per cent below awards in both 2004 and 2006. (p23)
- > AWAs paid on average well below CAs in:
 - > manufacturing (where the AWA shortfall was 14 per cent in 2006);
 - > construction (17 per cent);
 - > transport and storage (22 per cent);
 - > health and community services (14 per cent);
 - > property and business services (5 per cent); and
 - > 'personal and other services' (though the 34 per cent shortfall exaggerated the negative effects of AWAs, being influenced by the structure of the industry). (p23)

- > The Victorian pattern was broadly similar: AWA premiums over CAs in three industries (communications, government administration, finance), but AWA shortfalls in twelve industries. (p23)
- > In almost all industries where AWAs paid less than CAs in 2006, this was true for both men and women, and the same applied in most industries where AWAs paid more than CAs. The gender wage gap was larger for women on AWAs than for women on CAs in ten industries. (p26)
- > Overall, the industry pattern is consistent with the proposition that AWAs are used for multiple purposes that vary between industries, with AWAs generally paying above CAs in industries where union avoidance strategies are important and below CAs in industries where labour cost minimisation is important. Structural factors within industries also played a role in explaining industry patterns, for example, the use of exemption clauses in retail trade and the hiring of staff in high-salary areas on AWAs. The strong bargaining power of unionised workers in coal mining and emergency services also affected industry level wages of workers on collective agreements in particular industries. (p23)

8 Occupation and agreements (pp27-30)

- > For the top three occupational groups, AWA employees earn more on average than CA employees in both 2004 and 2006, though only for professionals does this occur for both genders. Professionals are clearly a group with high labour market power. (p27)
- > At the other end of the labour market, labourers and related workers experienced a consistent AWA pay shortfall – their wages were 17 per cent lower than wages of workers on CAs in 2006 (and 14 per cent lower in 2004). In all, five of the six lowest occupational groups revealed an AWA pay shortfall compared to CAs in 2006. (p27)
- > The most disadvantaged group, appeared to be female labourers and related workers – in 2006 those on AWAs were paid 26 per cent less than similar women on CAs. Indeed, in 2006 female labourers and related workers on AWAs were receiving 20 per cent less even than the award-reliant average for that occupation. (p27)
- > The Victorian situation was broadly similar to the national one: AWA premiums for administrators and professionals, AWA shortfalls compared to CAs in five out of the six lowest ranked occupational groups. Among labourers and related workers, AWA employees averaged lower earnings than award-reliant employees. (p27)



> Overall, the pattern of earnings by occupation is consistent with the hypothesis that workers with low bargaining power in the labour market arising from low skill levels are most adversely affected by individual bargaining through AWAs, while occupations with high skill and short demand appear able to maintain high wages under AWAs and possibly attract a union avoidance premium in some cases. (p27)

9 Summary and Conclusions (pp31-32)

> There are two reasons why we have found the AWA shortfall to be worse than in previous research. First, previous estimates have relied on data concerning registered individual contracts and hence have included employees on state registered individual agreements, which have average hourly wages nearly double the average in AWAs. Second, data on hourly earnings of the typical (median) employee in 2006 have not previously been available. With nearly 70 per cent of AWA employees earning below average AWA earnings (as a result of the skewing of AWA data by highly paid miners and higher ranking public servants), the average earnings data significantly overstate the earnings of the typical AWA employee. (p31)

> Given the known loss of conditions under WorkChoices AWAs, outcomes for WorkChoices AWAs would very likely be worse, even with the operation of the 'fairness test'. Note also that the data here will understate the gap between AWAs and union CAs, as the CA data include non-union CAs (which have, on average, lower wage increases than union CAs) and are also depressed by the impact of free riders on bargaining power of unionised workers negotiating new CAs. (p31)

> The data support the hypotheses that the effects of AWAs will vary according to the reason for their introduction and the labour markets in which employees are working. AWA premiums may occur where employers are seeking to use AWAs to avoid unions, at least in the short run. However, where employers are more focused on cost minimisation strategies, AWAs will be used to reduce average pay and conditions of employees. This will most likely be the case for those workers whose skills are not unique and who have limited bargaining power. If there are 'flexibility' benefits for employees and employers through AWAs, they are not apparent at either the aggregate or disaggregated level. (p31)

> The overall AWA (median) shortfall of 16.3 per cent suggests that cost-minimisation is an important element in AWA strategising, and any 'flexibility' benefits that exist are not enough to offset the cost-minimisation effects on wages. (p31)

> Two related groups of workers (in which a large proportion of workers are award-reliant) give us an insight into the effect of AWAs by comparison with awards. In hospitality, AWA workers receive an average of 2 per cent less than average award wages, though unfortunately we do not have data on median earnings. Female casual workers on AWAs received average earnings some 7.5 per cent below average award earnings. These figures suggest that AWAs can often lead to earnings falling below the award average. They also demonstrate that individual 'bargaining', through AWAs, is especially detrimental for women, particularly when they lack labour market power. (p32)

> Overall, AWAs are commonly associated with poorer outcomes for typical employees than registered collective agreements. While AWAs sometimes attract wage premiums, associated with union avoidance strategies, these mainly affect outcomes in a small number of industries and in some very large organisations. Where union avoidance is not a common issue, for example in small organisations, the negative impact of AWAs on earnings becomes very stark. The impact of AWAs is worst for those people without unique skills, who do not have strong bargaining power in the labour market. (p32)

1 INTRODUCTION

In a series of legislative reforms since the early 1990s, Australia has moved from a highly centralised system of wage determination to a highly decentralised system of wage determination. The first major change came in 1996 in the form of the *Workplace Relations Act 1996* (Cth)(WRA). In a radical departure from the traditional system of collective bargaining, the WRA introduced the option of individual bargaining in the form of Australian Workplace Agreements (AWAs). Several State jurisdictions, in particular Victoria and Western Australia, had earlier (1992 and 1993, respectively) introduced individual level bargaining and other reforms to deregulate labour markets within their jurisdictions.¹ The second major change came in 2006 following the passage of the Workplace Relations Amendment (Work Choices) Bill 2005. Amongst other things, the recent wave of reforms removed most requirements for registering AWAs and altered minimum wage fixing arrangements.

In introducing the reforms, the government argued that they would encourage the spread of workplace agreements, raise productivity, lower unemployment, assist in the balancing of work and family responsibilities and, importantly, increase wages (Andrews 2005a, 2005b). Using unpublished data from the Australian Bureau of Statistics (ABS) Employee Earnings and Hours (EEH) Survey for May 2006 (released March 2007) and other relevant ABS data, this report studies the effects of these reforms on the Australian wage outcomes. The questions to be addressed include:

- > What are the differences in hourly earnings for typical employees on AWAs and collective agreements (CAs)?
- > What are the hourly earnings for AWAs and CAs in different industries?
- > What are the hourly earnings for AWAs and CAs in different occupations?
- > What are the hourly earnings for AWAs and CAs by employer size?
- > What do these tell us about the motivations for and effects of AWAs?

The questions raised here have significant policy implications and significance for understanding the impact of *WorkChoices* on employees in Australia.²

The remainder of the report is organised as follows. Section 2 presents a brief overview of key aspects of the new industrial relations legislation and associated implications for wages. Section 3 outlines our methodology and its limitations and caveats. Section 4 examines the motivations for AWAs and the hypotheses for testing that these possible motivations imply. Section 5 presents some overall findings. Section 6 examines patterns by workplace size; section 7 industry patterns; Section 8 occupational patterns; and section 9 offers a summary and conclusions.

1 In the federal jurisdiction, reforms introduced in 1993 allowed for non-union collective agreements (known as s170LK) agreements.

2 The focus in the body of the report is on the earnings of AWAs and CAs within the federal jurisdiction nationally. Appendix A does, however, present further disaggregations and comparisons for Victoria. These data are periodically referred to within the report. For a related report on trends in male and female earnings in Victoria see *Pay Equity and AWAs in Victoria*, a report prepared for Industrial Relations Victoria, Department of Innovation, Industry and Regional Development.

2 WORKCHOICES

Since the early 1990s Australian institutional arrangements for pay determination and labour market regulation have undergone considerable change. In a series of legislative amendments governments of all persuasions have sought to decentralise the level of bargaining and circumscribe the role of unions and tribunals in the wage determination process. The latest set of reforms, however, go much further than any of the previous changes and significantly change the process and outcomes of wage determination in Australia.

The stated goal for the new legislation and associated regulations, commonly referred to as 'WorkChoices', is to:

create a more flexible, simpler and fairer system of workplace relations for Australia. The Bill will carry forward the evolution of Australia's workplace relations system to improve productivity, increase wages, balance work and family life, and reduce unemployment.
(Andrews, 2005)

The changes introduced under the WorkChoices provisions are extensive and have been the subject of much debate and critique.³ Changes include:

- > abolition of the 'no disadvantage' test by which registered individual and collective agreements were assessed and approved, replacing it with five minimum standards;
- > abolition of unfair dismissal protections for workers in firms with less than 101 workers or for whom part of the reason for their dismissal was 'operational';
- > introduction of 'prohibited content' such as provisions for unfair dismissal protection, or restricting AWAs or enabling union training;
- > privileging individual contracts (AWAs) over collective agreements (CAs), for example by enabling them to override CAs at any time or place;
- > restricting the right to undertake collective action in ways that are unusual or unique by international standards (for example, by prohibiting pattern bargaining or the involvement of non-members in planning or executing industrial action);
- > restricting union entry to workplaces;

- > expansion of the coverage of the federal jurisdiction to cover many employers in state systems; and
- > removing core functions of the independent Australian Industrial Relations Commission (AIRC) – including minimum wage setting functions, handing them either to specially established government agencies or private corporations.

Changes which are most likely to particularly impact on the bargaining power of the low skilled or 'minimum condition' workers include: the abolition of the 'no disadvantage test', the unfair dismissal provisions and the transfer of wage setting responsibilities to the Australian Fair Pay Commission (AFPC). Under the previous system, the Office of the Employment Advocate (OEA) was obliged to conduct a 'no disadvantage test' as a means of ensuring that workers would not be worse off in the shift from an award to an AWA. Under the previous system, employees could refuse to sign an AWA. Under WorkChoices, people declining to move onto a lower paid job in the context of a 'restructuring' face the prospect of finding themselves unemployed: whilst employers are unable to dismiss on the grounds of age, gender, race or a person's refusal to sign an AWA (and can face hefty penalties if found to have done so), decisions made under WorkChoices have enabled employers to dismiss employees and hire replacement workers on lower wages, provided that just part of the reason for dismissal was an operational reason.⁴ Similarly, longstanding employees (some with 26 years service) have been dismissed for 'operational reasons' and replaced with casual employees.⁵ These provisions significantly changed the wage bargaining power of existing workers and indeed new employees refusing to sign an AWA.

One of the significant effects of recent legislation has been to change the way in which minimum conditions of employment are determined and applied. The recent reforms limit the set of legislated minimum conditions to five matters (compared to the previous award system's 20 allowable matters, which the tribunals can no longer improve).⁶ The five minimum standards are now: a minimum hourly rate, ten days sick leave, four weeks annual leave (two weeks of which can be 'cashed out'), unpaid parental leave and a maximum number of weekly working hours. The new legislation also removes skill-based career classification (and pay) structures from awards. These classifications have been migrated over to a new instrument known as the Australian Pay and Classification Scales (APCS). The AFPC, not the AIRC, has responsibility for setting and adjusting rates in the APCS.

3 By way of example, more than 5600 submissions were made to the Senate Inquiry into the provisions of the Workplace Relations Amendment (Work Choices) Bill 2005. Senate, Provisions of the Workplace Relations Amendment (Work Choices) Bill 2005, Employment, Workplace Relations and Education Legislation Committee, Canberra, November 2005, p. ix.

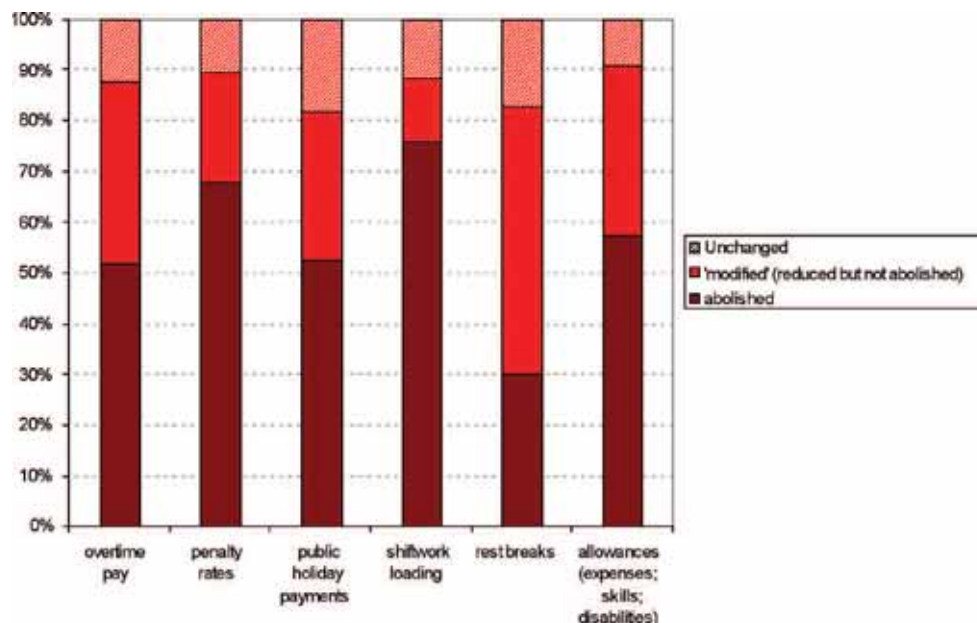
4 *Cruickshank v Priceline* [2007] AIRC 292. See also K. Burke, 'Same work, \$40 less: take it or leave it', *Sydney Morning Herald*, 10 April 2006; D. Cooke, 'First his job, then his house: why one man is beyond anger', *The Age*, 25 October 2006; D. Humphries, 'A lot to beef about for abattoir workers', *Sydney Morning Herald*, 4 April 2006; NSW Nurses Association, 'Desperate federal government wrong about Parkes nurses, whose rights at work were reduced', press release, 28 July, 2006; Young Workers Advisory Service, *Submission to QIRC Inquiry into the impact of WorkChoices on Queensland workplaces, employees and employers*, YWAS, Brisbane, 2006, <<http://www.ywas.org/filestore/WC%20Inquiry%20FINAL%2021.pdf>>.

5 J. Gibson, 'Sacked with no notice after 26 years', *Sydney Morning Herald*, 27 April 2007.

There are only limited quantitative data on changes in pay and conditions under AWAs published by the OEA, the government agency responsible for collecting and promoting AWAs. The disclosure of information on the loss of 'protected award conditions' (that is, award conditions that were, according to government advertisements, 'protected by law'), based on a sample of the first batch of AWAs undertaken in April 2006 and released in May 2006,⁷ led to considerable public debate and the cessation of the release of any more data.⁸ In April 2007

suppressed OEA data on the content of AWAs from May to September 2006 were published by Davis in the *Sydney Morning Herald*.⁹ These data, and further data from this source analysed and passed on to one of these authors by Davis, are shown in Figure 2.1.¹⁰ The data obtained by Davis are based on a much larger sample than that released by the OEA (998, rather than 250) and as a result of that, and also because they are more recent, should be taken as being a better indication of what has been happening with AWAs.

Figure 2.1: Reductions or losses of protected award conditions under AWAs, May–October 2006



Sources : Davis 2007 and unpublished OEA data obtained by Davis; Department of Employment and Workplace Relations and Office of the Employment Advocate, 2004

i It is possible that some of the provisions that 'modify' 'protected' award conditions represent an improvement on the award standard. However, analysis of EGAs (see section 7 of D. Peetz, *Assessing the impact, 2007*) shows that this is rarely the case, and that most or all 'modifications' to 'protected' award conditions represent a lessening of the award standard.

6 These allowable matters were: 1) classification of employees and skill based career paths; 2) ordinary time hours of work and the times in which they are performed, rest breaks, notice periods and variations to working hours; 3) rates of pay generally (including hourly rates and annual salaries), rates of pay for juniors, trainees and apprentices, and rates of pay for employees under the supported wage system; 4) incentive-based payments (other than tallies in the meat industry), piece rates and bonuses; 5) annual leave and leave loadings; 6) long service leave; 7) personal/carer's leave, including carer's leave, sick leave, family leave, bereavement leave, compassionate leave, cultural leave and other like forms of leave; 8) parental leave, including maternity leave, paternity leave and adoption leave; 9) public holidays; 10) allowances; 11) loadings for working overtime or for casual work or shift work; 12) penalty rates; 13) redundancy pay; 14) notice of termination; 15) stand-down provisions; 16) dispute settling procedure; 17) jury service; 18) type of employment, such as full-time employment, casual employment, regular part-time employment and shift work; 19) superannuation; and 20) pay and conditions for outworkers.

7 P. McIlwain, evidence to May Estimates hearing, Senate Employment, Workplace Relations and Education committee, Canberra, 29 May, 2006.

8 For an analysis of these data, see D. Peetz, *Assessing the Impact of WorkChoices – One Year On*, Industrial Relations Victoria, Department of Innovation, Industry and Regional Development, Melbourne, March 2007.

9 M. Davis, 'Revealed: how AWAs strip work rights', *Sydney Morning Herald*, 17 April 2007.

10 These data were earlier published in D. Peetz, *Submission to the South Australian Industrial Relations Commission Inquiry into the WorkChoices Legislation*, SAIRC, Adelaide, June 2007.

It shows that the rate of abolition of conditions accelerated between the two periods. This was most obviously the case for shiftwork loading. In May–September 2006, some 76 per cent of AWAs excluded (abolished) shiftwork loading, a 323 per cent increase on the 18 per cent of AWAs that abolished shiftwork loading in 2002–03.

The unpublished data also revealed that 68 per cent of AWAs abolished penalty rates (up 26 per cent on 2002–03), 52 per cent abolished overtime pay (up 107 per cent on 2002–03), 46 per cent abolished public holiday payments, 64 per cent abolished annual leave loading, 48 per cent abolished monetary allowances and 67 per cent excluded award provisions on days substituted for public holidays in May–October 2006. Although AWAs are often touted as a means of increasing incentives for rewarding staff, 70 per cent of AWAs excluded award incentive payments in May–September 2006.

These data also gave the first indication of the extent to which many conditions have been ‘modified’ – almost always, reduced, without being abolished¹¹ – through AWAs. These data were not originally published by the *Herald* but have been provided by Davis. They show that, for most ‘protected’ award conditions, even amongst those AWAs that do not abolish that condition, the majority will ‘modify’, that is reduce it.

For example, as mentioned, 68 per cent of AWAs abolished penalty rates. But among the remaining 32 per cent that did not abolish penalty rates, two-thirds – that is, 21 per cent of all AWAs – ‘modified’ penalty rates, that is, they mostly reduced them without abolishing them. In total, then, *around nine tenths of AWAs either abolished or reduced penalty rates*. Similarly, most AWAs that did not abolish overtime rates nonetheless modified them. In total, 88 per cent of AWAs abolished or ‘modified’ overtime rates; 89 per cent of AWAs either abolished or ‘modified’ shiftwork loading; 91 per cent abolished or ‘modified’ monetary allowances; 85 per cent abolished or ‘modified’ incentive payments; 82 per cent abolished or ‘modified’ public holiday payments; and 83 per cent abolished or ‘modified’ rest breaks.

In the face of widespread public concern about the loss of conditions under WorkChoices, the federal government on 4 May 2007 announced amendments to WorkChoices. Most importantly these took the form of a ‘fairness test’ to be applied to new agreements lodged after 6 May 2007. The details of this new obligation on employers were not made known until the legislation was introduced on 28 May 2007 and were applied retrospectively. Under the ‘fairness test’, the Office of the Employment Advocate (renamed the ‘Workplace Authority’) is to check all AWAs to see if any ‘protected’ award conditions have been removed or modified and, if this has happened, to consider whether employees have been ‘fairly compensated’ for the loss of their entitlements. This compensation can be monetary or non-monetary. The discretion rests with the Workplace Authority bureaucrats to determine what is meant by ‘fairly compensated’. If an employee has not been ‘fairly compensated’, the Workplace Authority is to request a variation of the agreement and if this is not forthcoming within 14 days the agreement lapses.

The ‘fairness test’ has some similarities to the former ‘no disadvantage’ test but it is weaker. The ‘fairness test’ only relates to seven ‘protected award conditions’. Hence, it requires no compensation if an AWA removes or reduces entitlements to redundancy pay, notice of termination, superannuation or long service leave. In addition, the subjective nature of the test (Parliament explicitly rejected an amendment that the test ensure that employees be fully compensated for loss of entitlements)¹² allows considerable scope for variations over time in the strictness with which the test is applied.

An illustration of the significance of this can be seen in the way in which the same agency administered the no-disadvantage test. Researchers who examined AWAs at the time of the previous test questioned whether the benefits could have been of ‘sufficient value to the employee for the agreement to have passed’ the test.¹³ Before WorkChoices there were growing indications the Authority was approving agreements that led to below-award wages. Even the CEO of the Western Australian Retailers Association complained about the ‘lax interpretation’ of the test.¹⁴

11 For a discussion of how ‘protected’ award provisions are ‘modified’ – reduced or, very rarely, improved – in EGAs, see section 7 of D. Peetz, *Assessing the Impact of WorkChoices*.

12 Senate Journals, Workplace Relations Amendment (A Stronger Safety Net) Bill 2007, 19 June, 2007.

13 R. Mitchell, R. Campbell, A. Barnes, E. Bicknell, Creighton, F. K. J. and S. Korman, *Protecting the Workers Interest in Enterprise Bargaining: The ‘No Disadvantage’ Test in the Federal Jurisdiction*, report to Workplace Innovation Unit, Industrial Relations Victoria, University of Melbourne, Melbourne, 2003, <[http://www.ir.vic.gov.au/CA256EF9000EB8A3/WebObj/B9721C262D82BE8ECA256EF2001A8EF3/\\$File/NDT%20REPORT.pdf](http://www.ir.vic.gov.au/CA256EF9000EB8A3/WebObj/B9721C262D82BE8ECA256EF2001A8EF3/$File/NDT%20REPORT.pdf)>, acc 6/3/05. p. 62.

14 T. Todd and J. Eveline, *Report on the Review of the Gender Pay Gap in Western Australia*, University of Western Australia, Perth, November 2004, <http://www.docep.wa.gov.au/Ir/LabourRelations/Media/Gender_Pay_Final_Rep.pdf>.

For example, the Authority promoted the non-payment of overtime rates when employees 'volunteer' to work overtime hours, a bit like approving wages below the minimum wage if employees volunteer to work on such wages.¹⁵ In 2005, workers from a Penrith doughnut outlet calculated that their AWAs paid at least 8 per cent below the award.¹⁶ An Adelaide bakery worker had an AWA that paid 25 per cent below the award. The court awarded her \$1400 in back pay, because the employer had messed up the paperwork. He said he had 50 other staff working on the same AWAs, which the Authority had approved.¹⁷ Such difficulties are likely to arise whenever a body is given the task of both policing and promoting AWAs.

The data presented in the report reflect the situation about two months after WorkChoices came to effect. At this time, then, the great majority of AWAs covered by the survey had been signed in the context of the 'no disadvantage' test. The data will therefore provide a more favourable picture of AWAs than would have been painted by examining only AWAs lodged after the introduction of WorkChoices. These data also present a picture that is most likely more favourable toward AWAs than that which would appear if the survey had been undertaken in the second half of 2007, as (a) a much higher proportion of AWAs applying in this period than in May 2006 have been signed without any award test being applied at all; and (b) the 'fairness test' that applies to those AWAs lodged after 6 May 2007 appears weaker than the 'no disadvantage' test anyway.

15 Office of the Employment Advocate, 'No Disadvantage Test and Voluntary Non Standard Hours', mimeo distributed by OEA to WA employers, Perth, 2003.

16 T. B. Fitch, Submission to Inquiry into Workplace Agreements, Senate Employment, Workplace Relations and Education References Committee, Canberra, 2005; J. Smith, Submission to Inquiry into Workplace Agreements, Senate Employment, Workplace Relations and Education References Committee, Canberra, 2005.

17 *Yurong v Renella* [2005] SAIRC 50.

3 METHOD AND LIMITATIONS

Notwithstanding the social and economic significance of the recent industrial relations reform, there are, surprisingly, few surveys that systematically provide comparative information on earnings and conditions of employment according to the type of employment contract used.¹⁸ There are some notable exceptions, particularly the workplace industrial relations surveys recently conducted in Queensland, New South Wales and Victoria and the *Employee Earnings and Hours (6306.0)* publication produced by the ABS. These are discussed further below.

The widely used quarterly earnings estimates published by the ABS, *Average Weekly Earnings (Catalogue 6302.0)*, do not provide details about earnings within different wage setting jurisdictions or by different employment contract types and, in the absence of estimates for occupational categories cannot provide information on trends for workers in some specific types of work. While suited to other uses, such as estimating aggregate changes in average earnings of fulltime workers at a national or industry level, it provides limited potential for monitoring the effects of new workplace regulations.

The *Employee Earnings and Hours (6306.0)* survey is based on data on 57,000 employees working for 9,000 employers around Australia. The publication provides significant information disaggregated by the methods used to set wages (e.g. award only, collective agreement or individual agreement). Limitations include the absence of specific information about the spread of hours worked (for example, the prevalence of 'split shifts') or when the hours are worked (for example, weekends, evenings). Data cubes are also available, providing information for industry and occupational classifications disaggregated to three-digit Australian Standard Classification of Occupations (ASCO) level. This is a considerable advantage over some other publications. However, this publication is produced only every two years, using survey data collected in May. The last survey was conducted in May 2006, a brief time after the new regulations were introduced (in March 2006). If current survey intervals are maintained, the following survey will be conducted in May 2008. Publication of survey results generally occurs in the following year. This means that relevant information from this survey may not be available until 2009.

It should also be noted that the ABS cautions against the use of this survey for time-series analysis. In other words, the survey has not been constructed to be used on a time series basis, making it difficult to compare trends over time (particularly at disaggregated occupational and industry levels). Further, whilst the survey focuses on earnings and hours of work it contains limited information on other employment related conditions.

Whilst the OEA (now Workplace Authority) could construct a database on wage movements from its collection of lodged agreements, the Employment Advocate has argued that the EEH 'large employee earnings and hours survey' renders it unnecessary for the OEA to collect wages data on AWAs as this would be 'a duplication and not a sensible use of the Commonwealth's resources'.¹⁹

Accordingly, although the ABS cautions against the use of EEH data for trend analysis,²⁰ it is deemed by the Commonwealth to be the most reliable source, a practice also followed by the OEA in its annual reporting on developments under AWAs.

There are other caveats worth noting. In the analysis below, we study the differentiated wage outcomes from all registered (federal) individual agreements (AWAs) and all registered (federal and state) collective agreements (CAs) as a way of shedding light on differential outcomes of AWAs and collective bargaining. One major caveat with the data from this source is that, although the EEH May 2006 data were collected during WorkChoices, a majority of agreement-covered employees will have been on agreements signed before WorkChoices took effect (27 March 2006). For AWA employees, this means that the majority of AWAs will have been protected by the no-disadvantage test that purported to ensure that employees were no worse off under an AWA than under the relevant award - in particular, if they lost penalty rates, overtime rates or other conditions they were meant to be no worse off overall. This in effect meant that they had to have a higher base rate to offset the loss of such conditions. This protection does not apply to AWAs signed under WorkChoices. Although the no-disadvantage test was not always properly applied,²¹ it still meant that employees signing AWAs were subject to higher minimum standards before WorkChoices took effect. Thus the figures here will provide an overly positive picture of earnings for employees under WorkChoices AWAs.

18 For a comprehensive, systematic analysis of the pros and cons of existing data collections see A. C. Preston, T. Jefferson and R. Seymour, *Women's Pay and Conditions in an Era of Changing Workplace Regulations: Towards a 'Women's Employment Status Key Indicators' (WESKI) database*, report prepared for the Human Rights and Equal Opportunity Commission (HREOC), National Foundation for Australian Women (NFAW) and Women's Electoral Lobby (WEL), 2006. Available from <www.cbs.curtin.edu.au/wiser>.

19 P. McIlwain, evidence to November Estimates hearing, Senate Employment, Workplace Relations and Education committee, Canberra, 2 November, 2006, 7.

20 ABS Caveats/Advice: 'The Survey of Employee Earnings and Hours was not designed as a time series so caution should be exercised when comparing data between different years.'

21 D. Peetz, *Brave New Workplace: How Individual Contracts Are Changing Our Jobs*, Allen & Unwin, Sydney, 2006.

The ABS publishes EEH data on average weekly earnings for all employees and for non-managerial employees, and average hourly earnings for non-managerial employees. The least useful of these data, when comparing employees on AWAs with employees on collective agreements, are those concerning average weekly earnings for all employees. This is for several reasons. First, AWA employees include a disproportionate number of managerial workers, especially in the public sector. Second, the average hours worked by workers on AWAs are longer than those on collective agreements. This is partly because there seem to be fewer part-time workers on AWAs, and partly because fulltime workers on AWAs have longer hours than fulltimers on collective agreements. Workers on registered collective agreements work about 2.3 hours longer per week but receive 13 per cent less in overtime pay (including managerial employees), due to the high rate of reduction, absorption or abolition of overtime pay. (In the private sector, registered individual contract workers receive 26 per cent less overtime pay than workers on registered collective agreements.)²² In the analysis below, unless otherwise stated, we use the average total hourly cash earnings of non-managerial employees.²³

That said, there are some other problems in the data that cannot be easily avoided. For one, the apparent average pay of workers on registered collective agreements is depressed because some workers are actually covered by non-union enterprise agreements that have inferior wage increases relative to union collective agreements (and are, in content, more like individual contracts than collective agreements).²⁴ Moreover, some two-fifths of workers on collective agreements are not union members but free riders on the gains achieved by unionists.²⁵ In a workplace with a large number of free riders, their existence reduces the bargaining power of the unionists (by comparison with fully unionised coverage) and in turn holds down the benefits achieved in collective agreements.²⁶

The absence of unit record data and hence an inability to control for individual differences in qualifications, experience etc also limits comparison of wage outcomes across individuals and over years. It constrains our capacity to apply controls to comparisons between groups through multivariate analysis. In studies of the gender wage gap, for example,

around one third of observed gaps can be accounted for by differences in education, experience, industry and occupation of individuals. That said, the majority (two-thirds) of observed wage gaps cannot be accounted for by human capital factors.

The inability to apply multivariate techniques means that we have to be careful in interpreting the differences we observe between groups. This is particularly the case for comparisons between award-reliant employees and other groups. Award-reliant employees are, virtually by definition, individuals with the least bargaining power. They have been unable to negotiate a higher rate of pay than that applying under the award through either individual or collective bargaining. They are likely therefore to be in labour markets where labour shortages are not apparent. Over 90 per cent of award-reliant employees are earning below the average hourly earnings of non-managerial employees. It means that comparisons of the earnings of award-reliant employees and other employees may not show the effect of collective or individual bargaining on wages compared to what the same people would have received under the award, because the award-reliant group does not constitute a representative control group. These comparisons will be distorted by the fact that award-reliant employees are those at the bottom of the bargaining chain, and the distortion will be bigger when award employees constitute a smaller proportion of the workforce.

We can illustrate this most clearly by looking at the occupational group tradespersons. Data appearing later in this report show that the average earnings of tradespersons on CAs is 89 per cent above average earnings of tradespersons on awards, and the average earnings of tradespersons on AWAs is 77 per cent above average earnings of tradespersons on awards. This does not mean that there is an 89 per cent gap between the pay of a tradesperson on a CA and someone in the same trade classification on an award. Part of that gap is due to the way in which award rates of pay for tradespersons have fallen in real terms under flat rate (or, most recently, tapered) safety net adjustments over the past 13 years. But a large portion of the gap is due simply to the fact that few tradespersons are on awards, and those who remain are in low trades classifications.


22 Australian Bureau of Statistics, *Employee Earnings and Hours, Australia*, Canberra, 6306.0.

23 Hourly cash earnings includes salary sacrificed amounts. This new definition of pay was introduced by the ABS in its most recent *Employee Earnings and Hours Survey (6306.0)*, released March 2007.

24 D. Peetz, *Brave New Workplace*; Peetz, *Assessing the Impact of WorkChoices*.

25 Australian Bureau of Statistics, 6306.0; Australian Bureau of Statistics, *Employee Earnings, Benefits and Trade Union Membership, Australia*, Canberra, various years 6310.0; J. Teicher, A. Pyman, P. Holland and B. Cooper, 'Employee Voice in Australia', in *What Workers Say: Employee Voice in the Anglo-American World*, eds R. B. Freeman, P. Boxall and P. Haynes, ILR Press, Ithaca NY, 2007 (forthcoming).

26 An idea of the magnitude of this effect can be gained from research by Wooden. He estimated that, across workplaces with collective agreements, active unions raise wages by 15 to 17 per cent in workplaces where union density is 100 per cent but only by 9 to 10 per cent in workplaces where workplaces have 60 per cent union density. That is, the average level of free riding reduces union wage effects by around 5 to 8 per cent. See M. Wooden, *Union Wage Effects in the Presence of Enterprise Bargaining*, Melbourne Institute Working Paper No 7/00, Melbourne Institute of Applied Economic and Social Research, University of Melbourne, Melbourne, April 2000, p. 29.



On average, tradespersons and related workers earn 20 per cent more than labourers and related workers and 33 per cent more than elementary clerical, service and sales workers, the two lowest paid occupational groups. But amongst award-reliant employees, tradespersons and related workers earn 10 per cent less than both these occupational groups and are by far the lowest paid occupational group. Yet we know that, in awards, trades employees receive higher pay than labourers. This distortion is because of the skewing of award-reliant tradespersons and related workers to the bottom end of the award scale, which is not representative of the overall trades structure in awards. Some 47 per cent of employees on registered individual contracts (almost all of whom are on AWAs) are casual employees, so in many ways comparing CA or AWA hourly rates with award hourly pay rates is really comparing employees in highly paid jobs with casual employees on low classifications.

While this is most obviously true amongst tradespersons and related workers, it means that, overall, comparisons between award-reliant workers and workers on agreements are of little value in telling us about the effects of agreements on pay. Hence our interest in this paper is principally in comparing employees on AWAs with employees on registered collective agreements. That is, we are interested in the effects of different types of agreements. These are the two legal instruments available to employers and employees to reach agreements that vary awards. ('Unregistered individual contracts', in effect common law contracts, do not require the variation of awards and are not directly affected by the changes in public policy in recent years, so they are not considered here.)

As mentioned, we are constrained in how definitively we can analyse the effects of these two agreement types because we do not have access to multivariate techniques, and need to be aware, when making comparisons, of the way in which compositional and institutional effects may influence comparative outcomes. Hence our analysis refers to some of these compositional and institutional factors as we look at various groups.

We analyse AWAs rather than all registered individual contracts, as AWAs constitute 97 per cent of registered individual contracts but operate under very different rules from those of state registered individual contracts, AWA rules being far more permissive to employers than rules for state individual contracts. As a result, there are major differences in pay outcomes between state and federal registered individual contracts - on average, state individual contracts pay 86 per cent more than AWAs. For the purposes of most of this paper, state registered individual contracts are too few in number to be separately analysed.

We analyse state and federal registered collective agreements together, as the rules under which they operate are sufficiently similar for the distinctions to not substantially matter for this analysis. Treating them together allows us to increase sampling size and reduce sampling error, which is a real consideration in analysing these data. Most state agreements are now encompassed in the federal system by WorkChoices.

We need to be cautious as the dataset from which we are working is based on a sample, and the numbers of AWAs in it are only three per cent of the total sample. The focus is on national level data, because of sample size considerations, but data specifically for Victoria are included in an Appendix and referred to at times in the text.

Because of the potential for sampling error, especially in disaggregated data, where possible we should seek verification of the trends we observe by considering whether broadly similar patterns are observed on another occasion, in this case in the 2004 data. The EEH survey is not designed as a time series, particularly at the disaggregated level, and is not particularly useful for comparing wages growth at a disaggregated level between agreement types, being influenced by compositional changes and sampling effects. To illustrate, Table 3.1 shows wages growth in federal certified agreements at an industry level between 2004 and 2006 estimated from two sources: the EEH survey, and the DEWR census of collective agreements published as *Wage Trends in Enterprise Bargaining*.

The DEWR census is not subject to sampling error and estimates annualised wage increases in existing agreements based on an examination of each agreement lodged with the AIRC (pre March 2007) or the OEA (post March 2007). It shows much less variation than the EEH-derived estimates and, as we would expect, is strongly correlated with union density at the industry level ($r = .54$), whereas the EEH-derived estimates are not ($r = .02$).

EEH-derived estimates of growth in AWA wages ($sd = .172$) are even more variable than the estimates of growth in federal CA wages ($sd = .067$), and so are not considered in this report at the disaggregated level due to their low reliability. Some of the discrepancies between the DEWR and EEH-derived estimates probably reflect structural changes in the use of CAs (and AWAs). For example, the low growth in EEH-derived estimates for mining, retail trade and accommodation, cafés and restaurants might reflect in significant part the offering by employers of AWAs to people on higher classifications on CAs in those industries. This would have the effect of removing those on high classifications from the CA average. The compositional change would thus show up as low (or in some cases negative) wage growth in average earnings in CAs.

Table 3.1 Estimated wage increases for employees under federal registered collective agreements, May 2004-May 2006

Industry	Employment, Earnings and Hours survey	Wage trends in enterprise bargaining data
Education	11.5%	9.8%
Construction	13.3%	9.4%
Government administration and defence	10.5%	8.7%
Electricity, gas and water supply	6.5%	8.7%
Finance and insurance	11.6%	8.6%
Manufacturing	5.5%	8.5%
Health and community services	11.3%	8.4%
Property and business services	5.0%	8.2%
Personal and other services	4.3%	8.2%
Wholesale trade	27.2%	8.2%
Communication services	11.5%	8.0%
Transport and storage	18.3%	7.7%
Cultural and recreational services	10.0%	7.6%
Mining	1.8%	7.5%
Retail trade	3.3%	7.0%
Accommodation, cafés and restaurants	-2.2%	6.6%
Total	10.0%	8.4%

Source: unpublished ABS 6306 data and DEWR *Wage Trends in Enterprise Bargaining (WTEB) Survey*.

That said, the 2004 disaggregated data can be useful in providing a reality check on what we find for 2006. That is, if we find a pattern in 2006 that is also shown in 2004, it increases our confidence that we have observed a genuine trend.

Another limitation is that all the wage data we have access to at the disaggregated level are expressed as averages. Averages can be biased by the inclusion of a small number of observations with very high earnings. If AWAs contain a higher proportion of very high earners than CAs, this will upwardly bias estimates of the relative earnings of AWA employees. A more representative indicator of the situation of the 'typical' worker is provided by median earnings, and we use these data wherever available.

4 THE MOTIVES FOR AUSTRALIAN WORKPLACE AGREEMENTS AND CONSEQUENT HYPOTHESES

Assessment of the impact of Australian Workplace Agreements (AWAs) on pay and conditions is complicated by the fact that AWAs can serve several functions for employers introducing them.

One purpose may be to reduce labour costs.²⁷ This can be achieved most commonly by reducing payment associated with the time at which labour is undertaken. Thus, as we saw in section 2, data from the then Office of the Employment Advocate, both tendered in evidence to a Senate Estimates committee and, more recently, leaked to the *Sydney Morning Herald*, indicates that the majority of AWAs abolish penalty rates, overtime rates of pay, shift allowances, public holiday payments and/or other 'protected award conditions'. In addition, significant minorities of AWAs reduce, without abolishing, these 'protected' conditions.²⁸

A second purpose may be to avoid unions. Individual contracts, particularly AWAs, have been used to move employees off collective arrangements to weaken or avoid unions. There is substantial documented evidence of union avoidance strategies being adopted by corporations in the mining sector, and individual contracts have formed a central part of these strategies.²⁹

In telecommunications, AWAs have also been used as part of a concerted de-unionisation strategy.³⁰ Finance is another industry where union avoidance strategies have been pursued and AWAs strongly promoted.³¹ In government administration, where the federal government is clearly trying to circumvent or neuter unions, several federal government agencies will only employ, or promote, people who are willing to sign AWAs,³² with the former Minister for Employment and Workplace Relations claiming that the lower rate of pay applying to existing departmental employees who choose to remain on collective agreements rather than sign

an AWA was proof of the 'higher productivity' and 'better wages' of AWAs - a 'win-win for the department, for the nation, indeed, and for the members of my staff.'³³ This is a sign of a common phenomenon: in instances where individual contracts are used as a deliberate tool of de-unionisation, employees are either offered higher salary to sign an individual contract, or the employer refuses to negotiate for an increase in wages under the collective agreement, forcing employees to sign contracts if they are to obtain a wage increase.³⁴ Promotions may only be offered to employees willing to sign AWAs and move out of collective agreement coverage, and large organisations running union avoidance strategies will often focus their initial attention on getting supervisors and more senior staff onto AWAs before they are 'rolled out' to less senior employees.³⁵

These union avoidance strategies can be found across industries, but clearly they are disproportionately common in particular industries, as mentioned above. Evidence from the early decade showed that the growth of AWAs was strongest in industries with high union density - and high penetration by AWAs was strongly associated with declining union density.³⁶

The more complex de-unionisation strategies also tend to be concentrated amongst large employers. This is partly because they are more likely to face collectively organised workers in the first place, but also because they are more likely to have sophisticated human resource departments that can be given the task of devising such approaches. The examples cited above included large government departments, a leading bank, large communications corporations and multinational mining corporations.

- 27 C. Briggs and R. Cooper 'Between Individualism and Collectivism? Why Employers Choose Non-Union Collective Agreements', *Labour and Industry*, vol. 17(2), December 2006, pp. 1-23.
- 28 M. Davis, analysis of unreleased OEA data on AWAs May-September 2006, unpublished, Sydney, 2007; Davis, 'Revealed: how AWAs strip work rights'; P. McIlwain, evidence to May Estimates hearing; Office of the Employment Advocate, Answer to Question W210-07, Senate Employment, Workplace Relations and Education Legislation Committee, Canberra, 2006.
- 29 *Aluminium Industry (Comalco Bell Bay Companies) Award 1983: Decision*, AIRC, 8 December 1994, Print L7449; *R D Smith and others and Pacific Coal Pty Ltd*, AIRC, 9 April 2001, Print PR902679; B. Hearn MacKinnon, 'The struggle for managerial prerogative: ramifications of the CRA Weipa dispute', *Current Research in Industrial Relations*; Proceedings of the 10th AIRAANZ Conference, Association of Industrial Relations Academics of Australia and New Zealand, Perth, February 1996, pp. 287-95; B. Hearn MacKinnon, 'The Weipa dispute: Ramifications for the spread of Australian Workplace Agreements', in *Individual Contracts and Workplace Relations*, eds A. Frazer, R. McCallum and P. Ronfeldt, ACIRRT, University of Sydney, 1997, pp. 55-68; J. McDonald and N. Timo, 'Killing the union? Individualised contracts and CRA', in *Contemporary Research on Unions: Membership, Organisation, Marginalisation and Non Standard Employment*, ed G. Griffin, National Key Centre in Industrial Relations, Monash University, Melbourne., 1996; D. Peetz, *Brave New Workplace*; N. Timo, 'The management of individualism in an Australian mining company', *Employee Relations*, vol. 19, no. 4, 1997, pp. 337-351; World Competitive Practices (WCP), *OEA Case Study - Peabody Resources (Ravensworth Mine)*, November. 1999.
- 30 *CPSU v Stellar Call Centres* [1999] FCA 1224; *CPSU v Telstra* [2000] FCA 1610; *CPSU v Telstra* [2001] FCA 267; Background Briefing, 'Call centres - the nerve centres of business', Background Briefing, Australian Broadcasting Commission, 18 June 2000; D. Browne, 'Telstra tangle over "Honest Bob"', *Workers Online*, 28 April 2000; WorkplaceInfo, 'September 2001: the month in IR', 9 October 2001, <<http://www.workplaceinfo.com.au/nocookie/alert/2001/01248.htm>>; World Competitive Practices, OEA Case Study: Telstra, Report for the Office of the Employment Advocate, Sydney, November 1999.

The first purpose of AWAs mentioned above would tend to be associated with lower average hourly earnings (after taking account of penalty rates) under AWAs than under collective agreements. They would be limited in doing this by the operation of the no-disadvantage test, which applied to AWAs signed up until March 2006. This means in effect that, if the test were being administered diligently, it would be impossible for an AWA to have a lower average hourly rate than the equivalent award. However, this would not prevent an AWA from having a lower hourly rate than an equivalent collective agreement. (WorkChoices makes it possible for an AWA to have a lower average hourly rate than the benchmark award, but only a small minority of AWAs at the time of the 2006 EEH survey would have been finalised under WorkChoices.) On the other hand, the second purpose would tend to be associated with higher hourly earnings under AWAs than collective agreements, with corporations focusing promotion and pay rises and those willing to sign AWAs and 'rolling out' AWAs among more highly paid staff.

If these are the main explanations why AWAs are used, then the relationship between AWA pay and collective agreement pay may vary according to which motive is dominant in introducing AWAs. We would expect to see wage premiums for AWAs in industries like mining, finance, communications and government administration, but these premiums would not extend across the board, and a number of industries would have lower wages for AWA employees than collective agreement employees. We would also expect to see higher wage premiums for AWAs among very large employers than among small employers who have less incentive or capacity to run sophisticated de-unionisation strategies.

A third purpose of AWAs may be to enhance flexibility. Of course, there are many different meanings to this phrase, and it is often just code for one of the above two purposes: a hospitality corporation may argue that it is able to more flexibly deploy labour if it is not impeded by penalty rates. The absence of penalty rates does not increase the productivity of the workers affected, but it may increase the profitability of the corporation. A corporation may argue it has greater flexibility to deploy labour the way it wished if it is unimpeded by having to consult with local union representatives. That said, it may be that certain employers wish to achieve certain flexibilities and share the benefits with employees. One option in that situation is to negotiate AWAs with individual employees.

If AWAs are generally used for this purpose, for mutually beneficial flexibility, then we would expect to see AWAs providing pretty consistently higher hourly wages than collective agreements.

The motives for AWAs are one thing, but their effects will also depend on the bargaining strengths of the parties. Employers will face the most difficulty in reducing pay and conditions for workers with highly sought after skills who are in short supply, regardless of what pay instrument is being used. Conversely, employees in weak bargaining positions, particularly those with skills that are obtainable elsewhere, may have difficulty resisting pressure for cuts in pay and conditions through individualised bargaining.

These various explanations set up two competing hypotheses for our comparison of AWAs and collective agreements. If AWAs are used predominantly for flexibility to benefit both employees and employers, then they should pretty consistently provide for higher hourly pay than registered collective agreements, across different employer types.

Conversely, if AWAs are predominantly used for cutting labour costs and avoiding unions, we would expect to see wide variations in the relationship between AWA earnings and earnings under registered collective agreements, with the highest AWA premiums in situations where union avoidance strategies are important, and shortfalls for employees in situations where union avoidance strategies were not important (for example, in small businesses, where unions find organising difficult due to problems of small scale and do not therefore create a threat effect for employers). Where cost-minimisation strategies were preferred, we would also expect to see shortfalls for AWA employees being most severe amongst workers with low skills levels or in low demand, highly competitive areas.

At the same time, institutional and market arrangements in each industry and occupation will also influence outcomes. For example, particular occupations (including those sometimes referred to as 'staff') within an industry may be traditionally non-union, possibly as a result of the structure and rules of awards, and whether or not they are high- or low-wage occupations will affect the premium or shortfall for workers on non-union pay instruments. These will need to be taken into account in understanding the patterns of earnings by industry and occupation.

31 *FSU v Commonwealth Bank* [2000] FCA 1372; *FSU v Commonwealth Bank 2005* [2005] FCA 796; D. Peetz, *Brave New Workplace*.

32 ABC, 'Andrews accused of hypocrisy over workplace agreements', *ABC Online*, 21 June 2005, <http://www.abc.net.au/news>; Workplace Express, 'CPSU accuses DEWR of threatening merit selection through AWAs', *Workplace Express*, 15 April 2005, <<http://www.workplaceexpress.com.au/nav?id=24335&no=230063090>>; Workplace Express, 'DEWR management, CPSU, meet again this afternoon', *Workplace Express*, 8 July 2005.

33 K. Andrews on ABC TV, 'Proposed IR changes hurt Govt in poll', *7.30 Report*, Australian Broadcasting Corporation, 5 July 2005.

34 *AMWU v BHP Iron Ore et al*, WAIRC, 2001, 04082; *Morris McMahon & Co Pty Ltd and AMWU*, AIRC, 8 May 2003, Print PR931192; E. Dannin, *Working Free: The origins and impact of New Zealand's Employment Contracts Act*, Auckland University Press, Auckland, 1997; J. J. Lawler, *Unionization and Deunionization: Strategy, tactics, and outcomes*, University of South Carolina Press, Columbia, S.C., 1990; D. Peetz, *Brave New Workplace*; N. Timo, 'The management of individualism in an Australian mining company'; P. Waring, *Individualism and Collectivism in Contemporary Employment Relations: The Australian Black Coal Mining Experience*, Doctoral Thesis, School of Management, University of Newcastle, Newcastle., 2000.

35 M. Levitt and T. Conrow, *Confessions of a Union Buster*, Crown., New York, 1993; Peetz, *Brave New Workplace*; D. Van den Broek, 'Recruitment strategies and union exclusion at two Australian call centres', *Relations Industrielles*, vol. 58, no. 3, Summer 2003, pp. 515-36; World Competitive Practices, *OEA Case Study: Telstra*.

36 D. Peetz, 'Individual contracts, bargaining and union membership', *Australian Bulletin of Labour*, vol. 28, no. 1, March 2002, pp. 39-52.

5 AGGREGATE PATTERNS

Average hourly total earnings for non-managerial employees on CAs and AWAs are shown in table 5.1. As all the data in this report relate to non-managerial employees, for the rest of this report we use the term 'employees' as shorthand for 'non-managerial employees'. As all the data relate to registered agreements, we use the abbreviation CAs to refer to registered collective agreements.

In 2006, employees on CAs earned an average of \$27.30 per hour, compared to \$25.30 per hour for employees on AWAs. Thus employees on AWAs earned \$2.00 per hour less, that is they faced a shortfall of 7.3 per cent compared to workers on CAs. There was also an AWA shortfall in 2004, of 2.8 per cent.

This AWA shortfall of 7.3 per cent is considerably larger than previous estimates, which until now have been 3.3 per cent for 2006 and 2.1 per cent for 2004. This is because previous

estimates of the AWA shortfall have relied on data for registered individual contracts, which include state registered agreements in them. Although AWAs account for 97 per cent of registered individual contracts, the 3 per cent that is represented by state registered agreements imparts a considerable upward bias because the latter pay, on average, 86 per cent more than AWAs.

Men on CAs earned an average of \$28.70 per hour, compared to \$26.50 for men on AWAs, a shortfall of 7.7 per cent in 2006. This was a deterioration in the relative position for men on AWAs by comparison with 2004, when there was apparent equity between AWAs and CAs.

Women on CAs earned an average \$25.70 per hour, whereas women on AWAs averaged only \$22.80 per hour, an average AWA shortfall of 11.3 per cent in 2006. This was comparable to the average AWA shortfall for women in 2004 of 12.9 per cent.

Table 5.1 Average hourly total cash earnings, CAs and AWAs, 2004 and 2006, non-managerial employees

	2004 (\$)	CAs 2006 (\$)	Change (%)	2004 (\$)	AWAs 2006 (\$)	Change (%)	AWA/CA 2004 (%)	Ratio 2006 (%)
Males	25.80	28.70	11.2	25.80	26.50	2.7	100.0	92.3
Females	23.30	25.70	10.3	20.30	22.80	12.3	87.1	88.7
Persons	24.60	27.30	11.0	23.90	25.30	5.9	97.2	92.7

Source: ABS 6306.0, unpublished data.

However, averages can be deceptive, as they can be exaggerated by a small number of employees with high earnings.³⁷ This is especially the case for AWAs, as average earnings may be distorted by a relatively small proportion of highly paid miners and senior public servants on AWAs. Indeed, 69 per cent of AWA employees earn less than average AWA hourly earnings. Some 60 per cent of CA employees earn less than average CA hourly earnings. A much better indication of how the 'typical' employee is faring can be obtained by looking at the median - the 'middle' employee who is better off than half the employees in his category and worse off than the other half.

Table 5.2 shows median earnings for CA and AWA employees in both years. The gap between CA and AWA workers becomes much starker when we consider this more representative measure.

Median AWA earnings in 2006 were only \$20.50 per hour, some \$4.00 per hour below median earnings for CA employees. That is, the median AWA worker earned 16.3 per cent less than the median CA worker in 2006. This represented a slight deterioration on the median AWA shortfall in 2004, which was 14.8 per cent.

Table 5.2 Median hourly total cash earnings, CAs and AWAs, 2004 and 2006, non-managerial employees

	2004 (\$)	CAs 2006 (\$)	Change (%)	2004 (\$)	AWAs 2006 (\$)	Change (%)	AWA/CA 2004 (%)	Ratio 2006 (%)
Males	23.40	26.00	11.1	20.90	22.00	5.3	89.3	84.6
Females	21.40	23.00	7.5	17.30	18.70	8.1	80.8	81.3
Persons	22.30	24.50	9.9	19.00	20.50	7.9	85.2	83.7

Source: ABS 6306.0, unpublished data.

In 2006 men on median AWA earnings earned 15.4 per cent less than men on median CA earnings. The corresponding shortfall in 2004 was 10.7 per cent.

Relative to the male shortfall, the female AWA shortfall in 2006 was larger, equal to 18.7 per cent. In other words, in 2006, the median earnings for female non-managerial employees on AWAs was 18.7 per cent lower than corresponding median for females on CAs. In 2004 the corresponding shortfall was equally large, at 19.2 per cent. Table 5.3 summarises these results.

Table 5.3: AWA/CA average and median total hourly earning differentials (%), non-managerial employees, May 2004 and May 2006

	2004 AWA/CA Average Hourly Difference (%)	2004 AWA/CA Median Hourly Difference (%)	2006 AWA/CA Average Hourly Difference (%)	2006 AWA/CA Median Hourly Difference (%)
Males	0.0	10.7	7.7	15.4
Females	12.9	19.2	11.3	18.7
Persons	2.8	14.8	7.3	16.3

Source: ABS 6306.0, unpublished data.

The availability of data on median earnings also markedly changes our understanding of the relationship between AWAs and award wages. The federal government and sympathetic employer organisations have repeatedly stated that employees on AWAs earn twice as much as people on awards.³⁸ Yet table 5.4 shows that median hourly earnings for AWA employees were only 16 per cent above median award-only earnings.

For women, median AWA earnings were only 5.6 per cent above median award-only earnings. This is only a quarter of the advantage that average hourly earnings data appeared to give women on AWAs over women wholly reliant on awards. And this is before full account is taken of the downward bias imparted into award wages estimates arising from the greater tendency for workers on high award classifications to be earning above the award rate and therefore not be included in the award-only calculations.

Table 5.4: Median hourly total cash earnings, awards, CAs and AWAs, 2006, non-managerial employees

	Award Only	CA	AWA	CA/Award Only	AWA/Award Only	AWA/CA
Males	\$17.40	\$26.00	\$22.00	149.4	126.4	84.6
Females	\$17.70	\$23.00	\$18.70	129.9	105.6	81.3
Persons	\$17.60	\$24.50	\$20.50	139.2	116.5	83.7

Source: ABS 6306.0, unpublished data.

38 eg Australian Government, *More Jobs, Higher Wages, A Stronger Economy*, advertisement, various newspapers, July 2005; P. McIlwain, The truth about AWAs, Office of the Employment Advocate, 2005, <http://www.oea.gov.au/graphics.asp?showdoc=/news_room/statements-050715.asp>. K. Andrews on ABC TV, 'Industrial relations debate', *Lateline*, Australian Broadcasting Corporation, 21 June 2006. J. Hockey on ABC TV, 'Friday night forum: Joe Hockey and Julia Gillard', *Lateline*, Australian Broadcasting Corporation, 27 April 2007. P. Hendy on SBS TV, 'Hard Yakka', *Insight*, Special Broadcasting Service, 5 June 2007.

As mentioned, there are limitations in the usability of the EEH data to draw estimates of changes in earnings at the industry or occupational levels, due to sample size and compositional effects. However, it is useful to look at movements in the aggregated data, as data at this level are less influenced by these factors.

Between 2004 and 2006, average earnings of employees on CAs grew by 11 per cent, whereas average earnings of AWA employees grew by only 5.9 per cent, less than the growth in prices over the same period (see table 5.7). However, this gap of 5.1 percentage points in the growth of AWA and CA earnings is probably overstated, as the average for AWAs appears to be influenced by some changes in the composition of AWA earnings. A better indicator of relative movements is obtained by looking at median earnings.

Median earnings of non-managerial workers on AWAs grew by 7.9 per cent between 2004 and 2006. This was still less than the growth in median earnings of workers on CAs, which was 9.9 per cent over the same period. In other words, relative to workers on CAs, the median earnings of workers on AWAs grew at a slower rate, with the growth shortfall equal to one percentage point per year. This is broadly consistent with analysis of agreement contents by ACIRRT (now the Workplace Research Centre), which has shown earnings growth in AWAs to be 1.5 to 2 percentage points below earnings growth in union collective agreements.³⁹

Table 5.5 shows average earnings under CAs and AWAs by state. In Victoria, average weekly earnings of AWA employees were 11 per cent below average weekly earnings of registered collective agreement employees. AWA employees worked on average 1 per cent more hours than registered collective agreement employees. Consequently the average hourly earnings of non-managerial Victorian employees were 12 per cent lower under AWAs than under registered collective agreements.

Victorian women on AWAs earned on average 6 per cent less per week than women on registered collective agreements, but they worked on average for 4 per cent more hours. So their hourly earnings were 10 per cent less than the hourly earnings of their counterparts on collective agreements. Victorian men on AWAs earned on average 14 per cent per hour less than Victorian men on CAs.

In Western Australia, one of the two states where the mining boom is most strongly experienced, and the state with the highest incidence of AWAs, average hourly earnings of workers on AWAs are 10 per cent higher than for those on collective agreements. Across the other states, AWA employees have a shortfall in average pay ranging from 8 per cent to 23 per cent. Even in Queensland, the other mining boom state, AWA hourly earnings are on average 15 per cent below collective agreement earnings, because many mining employees are on collective agreements there. Women on AWAs do worse than women in all states (but not the ACT, where many Commonwealth agencies require senior staff, and sometimes promotees, to sign AWAs as part of a union avoidance strategy). WA is the only state where men have a likely AWA premium compared to collective agreements; in all other states men on AWAs face a shortfall averaging between 6 per cent and 20 per cent, compared to men on registered collective agreements. The AWA premium in WA is much smaller than previous estimates, as these were based on data for registered individual contracts which included state individual contracts. State agreements had average earnings 74 per cent higher than average AWA earnings in WA.

Table 5.5 Average hourly total cash earnings, CAs and AWAs, by state, 2006, non-managerial employees

	CAs			AWAs			AWA/CA Ratio		
	Males	Females	Persons	Males	Females	Persons	Males	Females	Persons
VIC	28.60	25.20	26.90	24.70	22.80	23.80	86.4	90.5	88.5
NSW	29.70	26.80	29.30	27.80	22.80	26.00	93.6	85.1	91.9
QLD	28.20	25.30	26.80	23.20	21.40	22.80	82.3	84.6	85.1
SA	26.60	24.50	25.60	22.70	22.40	22.70	85.3	91.4	88.7
WA	29.10	25.60	27.40	31.90	22.60	29.40	109.6	88.3	107.3
TAS	25.70	25.30	25.50	20.50	17.90	19.60	79.8	70.8	76.9
NT	28.40	25.40	26.80	26.50	22.00	25.30	93.3	8.6	94.4
ACT	31.10	28.10	29.40	31.70	32.30	32.00	101.9	114.9	108.8
AUST	29.70	25.70	27.30	26.50	22.80	25.30	92.3	88.7	92.7

Source: ABS 6306.0, unpublished data.

Averages understate the AWA shortfall faced by the typical employee. Table 5.6 shows average and median earnings estimates for Victorians on different agreements. The typical (median) Victorian on an AWA earned 23 per cent less than the median Victorian on a collective agreement. The median Victorian male on an AWA earned 27 per cent less than the median Victorian male on a collective agreement. The ABS does not release estimated median female AWA earnings information.

The particularly poor relative outcomes for Victorian AWA employees probably reflect several factors. First, mining, the source of many of the higher-paying AWA jobs, is not an important part of the Victorian economy: it accounted for only 0.3 per cent of Victorian jobs in February 2006, compared to 1.3 per cent of jobs nationally.⁴⁰ Another source of higher-paid AWA jobs, government administration and defence, also makes up a smaller proportion of the Victorian workforce (3.1%) than nationally (4.5 per cent). Conversely, manufacturing, which accounts for a significant number of low-paid AWA jobs, is more important in Victoria (13.8 per cent of the workforce) than nationally (10.7 per cent).

In addition, the take-up of AWAs in the Victorian hospitality industry appears higher than nationally. According to data from the OEA, by March 2007 the number of AWAs signed in the Victorian accommodation, cafés and restaurants industry over the preceding three years was equivalent to 37 per cent of the workforce in that industry, the second highest 'penetration' of any state and well above the national average of 24 per cent.⁴¹ Although these OEA data cannot be taken as indicative of the proportion of employees covered by AWAs, because of double and triple counting, they still suggest that AWAs in Victoria were more common in this industry with low AWA wages. Conversely, AWA 'penetration' is lower in Victorian mining than in any other state, and was also below the national average in government administration (in fact, all states were below the national average, which was driven by extremely high penetration in the ACT due to Australian government policy). Overall, the bigger AWA shortfall in Victoria than nationally probably reflects the different industry composition of employment in Victoria and different patterns of AWA penetration by industry.

Table 5.6 Median and average hourly total cash earnings, CAs and AWAs, Victoria, 2006, non-managerial employees

	CAs			AWAs			AWA/CA Ratio		
	Males	Females	Persons	Males	Females	Persons	Males	Females	Persons
Average	28.60	25.20	26.90	24.70	22.80	23.80	86.4	90.5	88.5
Median	26.20	22.70	24.40	19.10	na	19.90	72.9	na	77.5

Source: ABS 6306.0, unpublished data. Note, median female AWA earnings information is not available.

Note that, in all the disaggregated analysis that follows, we are relying on averages rather than medians in estimating AWA effects as median estimates were not obtained. This means that the estimates of the AWA shortfall will generally be understated, the AWA premium exaggerated and some smaller AWA premiums based on averages would probably turn into AWA shortfalls when median data are considered.

40 Australian Bureau of Statistics, *Labour Force, Australia, Detailed, Quarterly*, Canberra, 6291.0.55.003.

41 Office of the Employment Advocate, *Industry Penetration by State* tabled at Senate Inquiry into Better Safety Net Bill Canberra, June, 2007.

Table 5.7: Growth in average and median earnings of non-managerial employees on AWAs and CAs, Australia, 2004-2006

	2004-2006 CA Average Earnings Growth	2004-2006 AWA Average Earnings Growth	2004-2006 CA Median Earnings Growth	2004-2006 AWA Median Earnings Growth
Males	11.2%	2.7%	11.1%	5.3%
Females	10.3%	12.3%	7.5%	8.1%
Persons	11.0%	5.9%	9.9%	7.9%

Source: ABS 6306.0, unpublished data.

A comparison of the 2006 AWA/CA average and median hourly differences (in table 5.7) shows that the use of average earnings overstates the relative position of the typical (median) worker on an AWA by 9 percentage points; for a typical male worker the overstatement was 7.6 percentage points and for the typical female worker it was 7.4 percentage points. In 2004, the overstatement effects were 12.0, 10.7 and 6.3 percentage points respectively. We should thus treat cautiously any AWA average premium that is less than roughly 10 per cent.

6 FIRM SIZE AND AGREEMENTS

In this section we examine the relationship between firm size and wage relativities with particular focus on wage outcomes of AWAs and CAs. It is not uncommon to find wages significantly and positively correlated with firm size (as measured by the number of employees). It reflects, amongst other things, capacity to pay as well as bargaining strategies and the higher levels of unionisation in larger firms.

Table 6.1 presents the average hourly total cash earnings disaggregated by firm size. Inter-firm size relativities and intra-firm size relativities are shown in table 6.2. Several trends are apparent from figure 6.1 showing the relationship between wages, firm size and method of pay setting. First is the fairly strong positive correlation between firm size and wages, consistent with previous studies.

The second finding is that across all firm size groups the wage advantage for those on CAs relative to those on the award does not vary hugely. In firms of between 20 and 49 employees, the CA/Award ratio is equal to 149 per cent (i.e. in these firms average earnings for CA-covered workers were 49 per cent more than those for award-covered employees). At the other extreme, in firms of 1000 plus the corresponding premium is 29 per cent. Unionisation and collective agreements are much more common in large firms than small firms: only 10 per cent of employees in firms with less than 20 employees are covered by a registered or unregistered collective agreement, compared to 85 per cent of employees in firms with 1000 or more employees. It is possible that in larger firms collective agreements have a form of historical spill-over effect - that is, the higher power of unions in large firms not only meant that wages were higher in unionised firms (which are now characterised by collective agreements) but also that tribunals granted higher wages in awards covering industries dominated by large firms, again as a reflection of the bargaining strength of the unions concerned. In very small workplaces, these spill-over effects are not likely to operate. Hence award wages would be dragged towards union collective agreement wages in large workplaces, reducing the apparent collective bargaining premium, but not in small workplaces.

Third, and most importantly, there is a very stark relationship between firm size and the AWA/CA ratio. In organisations with less than 500 employees, the AWA/CA ratio is less than 100 per cent, that is, AWAs pay less than CAs. The wage shortfall widens as organisations get smaller. Hence the shortfall is 3.5 per cent amongst organisations with 100-499 employees, rises to 12.4 per cent in organisations with 50-99 employees, 13.6 per cent in organisations with 20-49 employees and is a very substantial 26.3 per cent in organisations with less than 20 employees. Amongst large organisations with more than 500 employees (the majority of

whom are covered by collective agreements), there is a wage premium for AWAs, equal to 4.6 per cent in organisations with 500-999 employees, though as discussed at the end of section 5, we should be cautious about an AWA premium this small. Nonetheless, there is an unambiguously large AWA premium of 30.8 per cent in organisations with over 1000 employees.

Consequently, the AWA/Award relativities are highly variable (as measured by a standard deviation of 21.6 across the size groups (20 upwards),⁴² compared to 4.8 for registered CAs), but they follow a consistent upward pattern related to firm size. Unlike the CA/Award differential we see a narrower AWA/Award distribution amongst small firms and a sizeable AWA/Award gap amongst large firms.

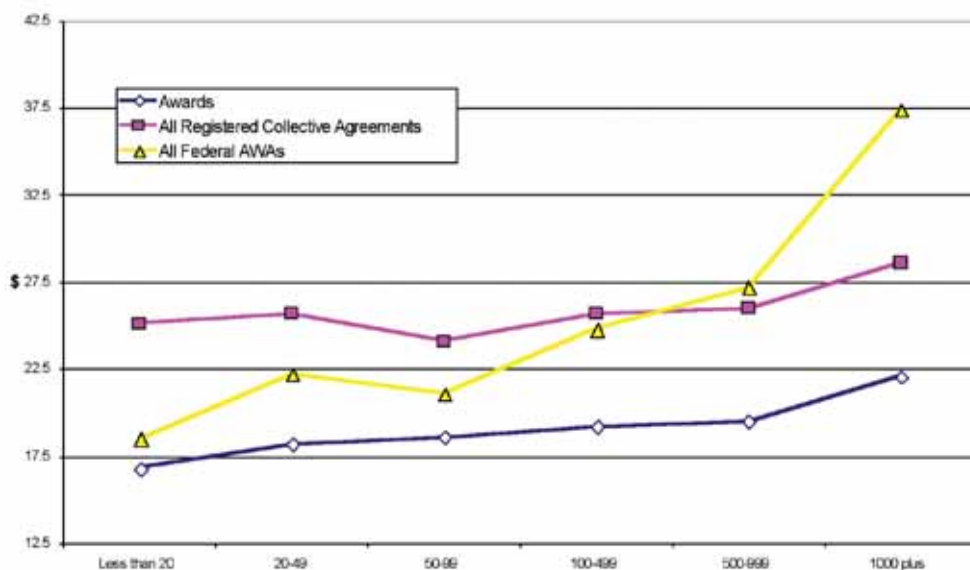
This is strongly suggestive of the first hypothesis, that is that AWAs are frequently used for cost cutting or union avoidance. Very large firms and federal government departments, like those referred to earlier, have the resources and sophistication to mount concerted union avoidance strategies and use AWAs as part of that, offering wage premiums to induce workers to sign AWAs and/or financially penalising those who seek to remain on collective agreements. Smaller firms are not likely to follow this approach, and clearly are more likely to use AWAs as a cost minimisation tool, presumably through cutting penalty rates, overtime pay and other 'protected' award conditions as evident from the data in section 2.

Had AWAs been used as a device for promoting flexibility for the mutual benefit of employees and employers, we would have expected that employees in small and medium firms would have gained in roughly similar proportions to those in large firms. This clearly is not the case.

As a reality check, we can consider whether the 2004 data also support this hypothesis. Table 6.3 shows that a broadly similar pattern was evident, though it is not quite as smooth as it became in 2006. The AWA/CA shortfall was still large, at 25 per cent, for the smallest organisational size and the AWA/CA premium was still large, at 29 per cent, for the largest organisation size in 2004. Firms in the other small size bands (20-49 employees and 50-99 employees) again had significant AWA shortfalls - in fact, larger than in 2006 - while the shortfall was again small for organisations of size 100-499 employees. The only notable change was amongst firms with 500-999 employees, which had an AWA shortfall of 10 per cent in 2004, compared to a small AWA premium of 5 per cent in 2006, a margin which, as mentioned, should be treated cautiously. Nonetheless, there is nothing in these data to suggest that the patterns in 2006 were an oddity - quite the reverse, as the correlation between the AWA/CA ratios in the two years was a very high 0.94, convincingly confirming the first hypothesis.

42 Small firms (fewer than 20 employees) are not included here on account of high standard errors.

Figure 6.1: Average total hourly cash earnings by firm size and method of pay setting, May 2006



Source: ABS 6306.0, unpublished data.

Table 6.1: Non-managerial employees' average total hourly cash earnings, by firm size, May 2006

Number of Employees	Males			Females			Persons		
	Awards	All Registered Collective Agreements	All Federally Registered Individual Agreements	Awards	All Registered Collective Agreements	All Federally Registered Individual Agreements	Awards	All Registered Collective Agreements	All Federally Registered Individual Agreements
Fewer than 20	\$16.50	\$26.20	\$19.60	\$17.00	\$22.10	\$16.60	\$16.80	\$25.10	\$18.50
20 - 49	\$18.10	\$27.40	\$22.60	\$18.30	\$22.70	\$20.10	\$18.20	\$25.70	\$22.20
50 - 99	\$18.00	\$25.10	\$22.90	\$19.10	\$22.30	\$17.40	\$18.60	\$24.10	\$21.10
100 - 499	\$18.30	\$26.80	\$26.80	\$19.90	\$24.10	\$21.40	\$19.20	\$25.70	\$24.80
500 - 999	\$19.00	\$27.70	\$29.60	\$19.90	\$23.50	\$23.40	\$19.50	\$26.00	\$27.20
1000 plus	\$23.40	\$30.70	\$40.50	\$21.00	\$27.00	\$33.20	\$22.10	\$28.60	\$37.40
Total	\$18.00	\$28.70	\$26.50	\$18.60	\$25.70	\$22.80	\$18.30	\$27.30	\$25.30

Source: ABS 6306.0, unpublished data.

Table 6.2: Non-managerial employees' average total hourly cash earnings by firm size and method of pay setting. Instrument pay ratios, May 2006

Number of Employees	Inter-firm size wage ratios			Inter-firm size wage ratios		
	Awards	All Registered Collective Agreements	All Federally Registered Individual Agreements	CA Award	AWA Award	AWA/CA
Fewer than 20	91.8%	91.9%	73.1%	149.4%	110.1%	73.7%
20 - 49	99.5%	94.1%	87.7%	141.2%	122.0%	86.4%
50 - 99	101.6%	88.3%	83.4%	129.6%	113.4%	87.6%
100 - 499	104.9%	94.1%	98.0%	133.9%	129.2%	96.5%
500 - 999	106.6%	95.2%	107.5%	133.3%	139.5%	104.6%
1000 plus	120.8%	104.8%	147.8%	129.4%	169.2%	130.8%
Total	100.0%	100.0%	100.0%	149.2%	138.3%	92.7%

Source: Table 6.1.

Table 6.3: Non-managerial employees' ratio of average total hourly cash earnings for AWAs:CA's by firm size, 2004 and 2006

Number of Employees	2004	2006	Average 2005 - 2006
Fewer than 20	75.4%	73.7%	74.6%
20 - 49	79.4%	86.4%	83.0%
50 - 99	76.8%	87.6%	82.2%
100 - 499	99.6%	96.5%	98.0%
500 - 999	90.1%	104.6%	97.4%
1000 plus	128.6%	130.8%	129.7%
Total	97.2%	92.7%	94.9%

Source: ABS 6306.0, unpublished data.



Firm size and gender

Figure 6.2 shows the AWA/CA total hourly cash earnings ratio by firm size and gender in 2006. For women, the broad pattern of a bigger shortfall in smaller organisations persists, but it is in only the largest size band (firms with 1000 or more employees) that women on AWAs receive a wage premium compared to CAs. This was also the case in 2004.

The AWA shortfall for women was comparable to that for men in the smallest two size bands, but in 2006 the shortfall was noticeably worse than for men (or the premium for women is smaller than the premium for men) in the other size bands.

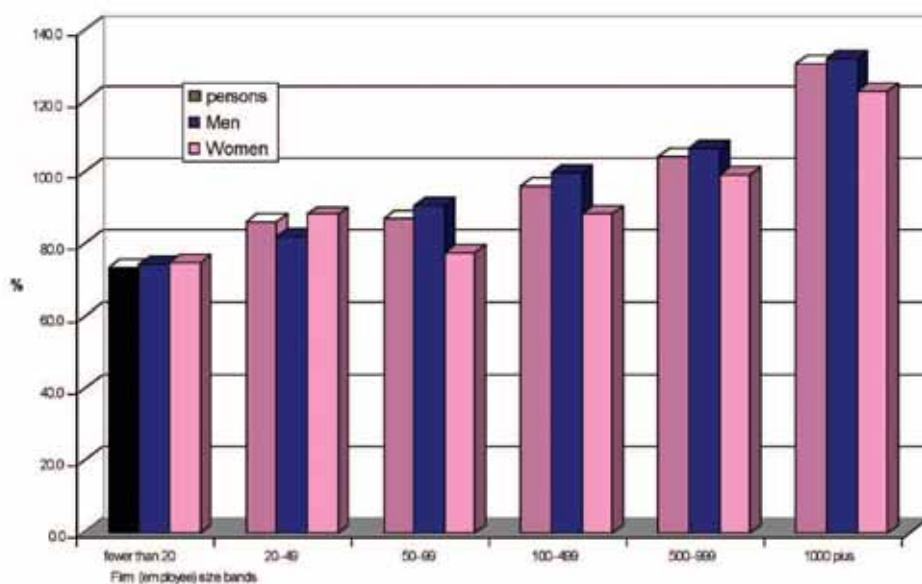
In 2004 also, the shortfall for women is greater than that for men in the majority of size bands, although there are differences in detail. Men show a declining AWA shortfall as firm size increases in both years, but the pattern is more consistent in 2006 than in 2004. In the earlier year, the shortfall is a bit uneven in the mid-range size bands, but by 2006 the shortfall unambiguously increases with each step down the size bands. Overall, the gender pattern by size band is consistent with the general patterns, with the AWA shortfall rising as firm size declines, and the emphasis on cost-cutting increases, while AWA premiums become available in the largest size band as union avoidance techniques become more important. It appears that, in the largest

band (1000 or more employees), men gain more from the AWA premium than women, perhaps reflecting the dominance of men in mining and electricity, gas and water, and in the more highly paid positions in finance.

In Victoria, the pattern by which the AWA shortfall increases as employer size decreases is also apparent. In the smallest organisational size band (less than 20 employees), AWA employees earned 43 per cent less than Victorian CA employees, whereas in the largest size band (1000 employees and more) there was a 44 per cent AWA premium. These data are shown in Appendix tables A.1 and A.2. Notably, in the smallest size band AWA employees earned 7 per cent less on average than average award employees in that size band. AWA women in these workplaces with fewer than 20 employees earned a remarkable 25 per cent less than average award-reliant women (and less than half the rate for women on CAs).

Firms employing fewer than 101 employees are, as a result of WorkChoices, no longer bound by unfair dismissal provisions. The lack of recourse to such provisions significantly undermines the bargaining power of many. As with other wage differentials monitoring trends in these firms will be of increasing importance in this new legislative environment.

Figure 6.2: AWA/CA total hourly cash earning ratios by firm size and gender, May 2006



Source: ABS 6306.0, unpublished data.

Table 6.4 AWA/CA cash hourly earnings ratio by gender, 2004 and 2006, non-managerial employees

Number of Employees	2004		2006		Average 2004 - 2006	
	Male	Female	Male	Female	Male	Female
Fewer than 20	91.8%	91.9%	73.1%	149.4%	110.1%	73.7%
20 - 49	99.5%	94.1%	87.7%	141.2%	122.0%	86.4%
50 - 99	101.6%	88.3%	83.4%	129.6%	113.4%	87.6%
100 - 499	104.9%	94.1%	98.0%	133.9%	129.2%	96.5%
500 - 999	106.6%	95.2%	107.5%	133.3%	139.5%	104.6%
1000 plus	120.8%	104.8%	147.8%	129.4%	169.2%	130.8%
Total	100.0%	100.0%	100.0%	149.2%	138.3%	92.7%

Source: ABS 6306.0, unpublished data.

7 INDUSTRY AND AGREEMENTS

In figure 7.1, we present the average total hourly cash earning ratios of AWAs relative to CAs for each industry at May 2006. The data, as usual, are for non-managerial employees.

Of the 16 one-digit industry groupings in Australia, at May 2006, the AWA/CA ratio was below 100 per cent in nine of the 16 industries. In other words, AWA employees in the majority of industries received a lower hourly rate on their AWA than their counterparts did on CAs.

In 2004 and 2006, there were seven industries for which AWAs paid consistently lower than CAs, five industries in which AWAs paid consistently higher between the two years, and four industries with uneven patterns over the two years, suggesting possible structural changes in patterns of coverage of instruments, or the effects of small sample size.

It is particularly insightful to look at those industries where there is a high wage premium for AWAs.

In 2006, the industry with the highest wage premium for AWAs (when the industry AWA average is compared to the industry CA average) was communication services, with the AWA average hourly wage premium equal to 50 per cent (see table 7.1). As mentioned, this is an industry where significant union avoidance behaviour has been underway. The second highest premium (33 per cent) is in government administration and defence where, as previously indicated, a number of federal government agencies require the signing of an AWA as a precondition to advancement in the organisation or receipt of a wage increase, again as part of a strategy aimed at reducing the influence of unions and collective agreements in the sector. The third highest premium (22 per cent) is in finance and insurance, where some organisations are also attempting to use AWAs to reduce union influence, and where employees in the more highly remunerated parts of an organisation (such as those engaged in foreign exchange speculation) are hired on individual contracts. Electricity, gas and water (17 per cent) also had a moderately high AWA premium in 2006. We should be cautious in interpreting this, as it showed no such premium in 2004. However, communication, finance and insurance and government administration and defence all showed significant AWA premiums (23 to 34 per cent) in 2004, confirming the 2006 observations.

The only industry where union avoidance strategies are extensive and well documented, but in which there is no AWA premium, is mining. This may come as a surprise, given some of the bold claims that have been made about mining wages and AWAs in recent times. For example, the Australian Mines and Metals Association (AMMA) claimed in a report issued by in March 2007 that 'in the resources sector AWAs have provided for significant

wage improvements' and that average wages in mining had increased by 22 per cent in the year to August 2006.⁴³ This claim has been repeated several times.⁴⁴ The report sourced this claim to an ABS publication,⁴⁵ yet this publication had not even been released at the time of the report.⁴⁶ When the data were eventually published, they showed just an 8.7 per cent increase over the year to August 2006.⁴⁷

The only source of earnings data for AWAs in mining, the EEH survey, shows that non-managerial mining employees on AWAs (earning an average of \$37.30 per hour) received 3.6 per cent less than mining employees on collective agreements (who earned an average of \$38.70 per hour). There was also an AWA shortfall in 2004. The reason is probably that union membership remains strong in the collectively organised part of the industry. In coal mining, union density in August 2006 was, in trend terms, 61 per cent, compared to 12 per cent in metal ore mining where AWAs dominate.⁴⁸ While there are some AWA mines in coal, the majority are covered by collective agreements, and in those coal mines, AWA workers tend to be working for contractors on short-term, insecure contracts. The career path for new entrants in coal typically involves a period working for a contractor on an AWA until a permanent job in a mine, often covered by a collective agreement, can be obtained. In coal mining, then, the main way in which AWAs are used to reduce union influence is by ensuring a readily available alternative labour supply in case unionised employees engage in collective industrial action. No large AWA premium is necessary for this purpose. Workers in metal ore mining, mainly non-union and dominated by individual contracts, work 5 per cent more hours but earn 21 per cent less per week than workers in largely unionised coal mining, where collective agreements dominate.

One other industry has a moderate wage premium for AWAs. In retail trade, the AWA premium is 18 per cent. This appears to be driven by the structure of awards and agreements in the industry. These provide that employees earning above a certain level are 'exempt' from the award or agreement. Thus

Exempt employees are those whose weekly wage is equal to or greater than 125 per cent of the rate of pay for shop assistants or other appropriate classification (*Retail Industry Interim Award - State*). Exempt employees are specifically excluded from any provision in the award or in certified agreements, other than those legally required by state and federal legislation, such as superannuation and public holidays.⁴⁹

Exempt employees are 'not managers' and are often '2ICs or 3ICs of departments' or perform specialist functions such as stockperson.⁵⁰ It does not mean that exempt employees are well

43 Australian Mines and Metals Association, *Australian Workplace Agreements – A Major Matter for Miners*, AMMA, Perth, 22 March, 2007.

44 eg M. Farr, 'Bosses say AWAs are pushing wages up', <*News.com.au*>, 9 April 2007; C. Platt, 'Why AWAs are better', *Herald-Sun*, 10 May 2007.

45 Australian Bureau of Statistics, 6310.0.

46 It was eventually published on 3 April 2007.

47 It is difficult to be certain, but it is possible that the AMMA estimate was based on comparing two unrelated ABS surveys with different populations (full and part-time employees in 2005, full-time employees only in 2006). Using the same method, one would estimate that wages in retail trade had grown by 77 per cent in one year, even higher than growth in mining!

48 Trend estimates calculated from Australian Bureau of Statistics, 6310.0. using methodology set out in D. Peetz, 'Trend analysis of union membership', *Australian Journal of Labour Economics*, vol. 8, no. 1, 2005, pp. 1-24.

paid for what they do: as Robin Price's study of retailing indicated, exempt employees in her project 'recognised that their exempt status was a cost-cutting measure, as it meant they were paid less than they would be if they received overtime'.⁵¹

There is no such exemption precluding AWAs from covering employees above a certain wage in retail trade. Thus it is arithmetically inevitable that average AWA earnings in retail will be above average award and agreement earnings in that industry. Retail CAs paid only slightly above the award in both 2004 and 2006, reflecting the low bargaining power of employees in that industry⁵² and the ability of the large supermarket and retail chains to keep labour costs low.

Hospitality (accommodation, cafés and restaurants) is unusual, in part because it is the only industry in which the majority of employees are award-reliant and only a very small proportion (9 per cent) is covered by a collective agreement. It is thus probably the only industry where award hourly wages can probably be said to be reasonably representative of average award rates (as mentioned, in most industries the average award wages will tend to reflect the situation of just the lower paid award workers). Here AWAs paid on average 2 per cent *below awards* in both 2004 and 2006. They paid on average slightly above CAs in 2006 (the margin being questionably small) but below CAs in 2004, making it harder to discern a clear pattern in the relationship between AWAs and CAs. Similarly, it appeared that CAs paid above awards in 2004 but slightly below them in 2006. The low outcomes for CA workers in hospitality reflect the very low bargaining power of workers in that industry, with only 8 per cent of the workforce unionised, the lowest of any industry. Consequently, DEWR data showed in Table 3.1 that CAs in hospitality had the lowest wage increases of any industry between 2004 and 2006.

Hospitality is highly casualised. It is noteworthy that the published data reveal that average hourly earnings of female casual workers on registered individual contracts, averaged across all industries, were 7.5 per cent lower than those of female casual workers on registered collective agreements. By contrast, across the economy as a whole, casual women on CAs were paid 18 per cent above the award average and 27 per cent above the average for casual women on registered individual contracts.

In other industries AWAs paid above the award, as was made almost inevitable by the no-disadvantage test, but below CAs.

In manufacturing, where employers are under significant pressures to cut labour costs, AWAs paid 14 per cent less than CAs in 2006 (with a similar margin, 12 per cent, in 2004).

In construction, where unions achieve significant above-award wages for their members, AWAs paid 17 per cent less than CAs in 2006 (with, again, a similar margin of 19 per cent in 2004).

In transport and storage, another industry where labour costs are a significant element of competition (particularly in road transport and airlines), AWAs paid 22 per cent less than CAs (compared to 12 per cent in 2004).

In health and community services, in which parts of the private sector in particular operate in a cost-minimisation mode, AWAs paid 14 per cent less than CAs in 2006 (and 19 per cent less in 2004).

In property and business services, AWAs paid 5 per cent less than CAs in 2006 (and 26 per cent less in 2004).

The largest shortfall was in 'personal and other services', where AWAs averaged 34 per cent less than CAs in 2006 (and 53 per cent less in 2004). However, the size of this shortfall is probably more reflective of the composition of the industry, with strongly unionised workers in emergency services enjoying high pay on collective agreements, at least compared to workers on AWAs in interest groups, religious organisations, and businesses hiring household goods.

Three other industries had mixed patterns. In cultural and recreational services (which includes radio and TV stations, sport, libraries and the arts), AWAs averaged 7 per cent more than CAs in 2006 but 12 per cent less in 2004. In wholesale trade, where collective agreement coverage is under 10 per cent, AWAs averaged 2 per cent less than CAs in 2006 but 59 per cent more in 2004. In education, where the Commonwealth is forcing universities (the more highly paid end of the sector) and TAFE colleges to offer AWAs through its funding rules, AWAs averaged 1 per cent less than CAs in 2006 but a cautious 4 per cent more in 2004.

The Victorian pattern was broadly similar: AWA premiums over CAs in three industries (communications, government administration, finance), but AWA shortfalls in twelve industries (Appendix tables A.3 and A.4). Average AWA earnings were 5 per cent below average award earnings in the Victorian hospitality industry (and 0.6 per cent below award earnings in cultural and recreational services).

Overall, the industry pattern is consistent with the proposition that AWAs are used for multiple purposes that vary between industries, with AWAs generally paying above CAs in industries where union avoidance strategies are important and below CAs in industries where labour cost minimisation is important. Structural factors within industries also played a role in explaining industry patterns, for example, the use of exemption clauses in retail trade and the hiring of staff in high-salary areas in finance on AWAs. The strong bargaining power of unionised workers in coal mining and emergency services also affected industry level wages of workers on collective agreements in particular industries.

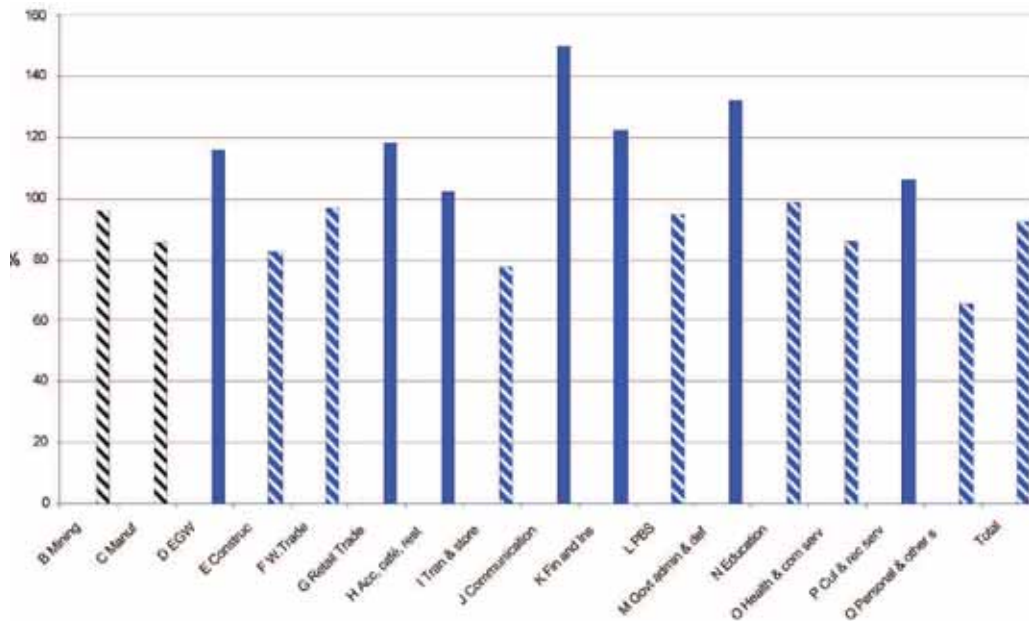
49 R. Price, *Checking out Supermarket Labour Usage: The Nature of Labour Usage and Employment Relations Consequences in a Food Retail Firm in Australia*, PhD thesis, Department of Industrial Relations, Griffith University, Brisbane, 2004, p. 93.

50 *Ibid.*, p. 121.

51 *Ibid.*, p. 122.

52 *Ibid.*, pp. 41–2.

Figure 7.1: AWA/CA average total hourly cash earnings, by industry, May 2006



Source: Table 7.2. Note, pattern bars indicate an AWA/CA hourly total cash earnings ratio of < 100.

Table 7.1: Non-managerial employees' average total hourly cash earnings, by industry, May 2006

Industry	Males - 2006			Females - 2006			Persons			
	All Registered Collective Agreements	All Federally Registered Individual Agreements	AWA shortfall (or premium) %	All Registered Collective Agreements	All Federally Registered Individual Agreements	AWA shortfall (or premium) %	All Registered Collective Agreements (2006)	All Federally Registered Individual Agreements (2006)	AWA shortfall (or premium) % - 2006	AWA shortfall (or premium) % - 2004
	\$	\$		\$	\$		\$	\$		
B Mining	38.90	38.20	1.8	33.40	31.60	5.4	38.70	37.30	3.6	18.6
C Manufacturing	25.60	23.20	9.4	21.70	18.90	12.9	24.90	21.30	14.5	12.1
D Electricity, gas and water supply	34.60	38.80	(-12.1)	27.20	*	*	33.30	38.80	(-16.5)	2.4
E Construction	30.50	25.50	16.4	26.70	19.40	27.3	30.40	25.20	17.1	19.4
F Wholesale trade	25.70	24.40	5.1	20.00	18.80	6.0	24.50	23.90	2.4	(-59.2)
G Retail trade	16.30	19.70	(-20.9)	15.50	16.40	(-5.8)	15.80	18.70	(-18.4)	(-15.9)
H Accommodation, cafés and restaurants	18.30	18.80	-2.7	17.10	17.30	-1.2	17.70	18.10	-2.3	7.3
I Transport and storage	30.70	25.30	17.6	28.70	20.60	28.2	30.40	23.60	22.4	12.5
J Communication services	28.20	45.00	(-59.6)	25.20	36.20	(-43.7)	27.20	40.90	(-50.4)	(-23.0)
K Finance and insurance	31.50	37.10	(-17.8)	25.20	30.90	(-22.6)	27.60	33.80	(-22.5)	(-23.0)
L Property and business services	26.60	24.60	7.5	22.90	21.80	4.8	25.10	23.80	5.2	26.4
M Government administration and defence	27.30	37.60	(-37.7)	26.70	34.10	(-27.7)	27.00	35.80	(-32.6)	(-34.1)
N Education	33.60	*44.40*	29.80	27.00	9.4	30.90	30.60	1.0	(-3.6)	
O Health and community services	32.90	26.50	19.5	27.40	24.20	11.7	28.80	24.90	13.5	18.8
P Cultural and recreational services	25.60	28.70	(-12.1)	22.90	24.30	-6.1	24.20	25.80	(-6.6)	11.6
Q Personal and other services	31.70	19.70	37.9	26.50	19.10	27.9	29.90	19.60	34.4	52.9
T Total	28.70	26.50	7.7	25.70	22.80	11.3	27.30	25.30	7.3	2.8

Source: ABS 6306.0, unpublished data. * indicates large standard errors.

Table 7.2: Non-managerial employees' average total hourly cash earnings by industry and method of pay setting. Instrument pay ratios, May 2006

	Inter-industry wage ratios			Intra-industry wage ratios		
	Awards	All Registered Collective Agreements	All Federally Registered Individual Agreements	CA/Award	AWA/Award	AWA/CA
	%	%	%	%	%	%
B Mining	110.4	141.8	147.4	191.6	184.7	96.4
C Manufacturing	96.7	91.2	84.2	140.7	120.3	85.5
D Electricity, gas and water supply	110.9	122.0	153.4	164.0	191.1	116.5
E Construction	87.4	111.4	99.6	190.0	157.5	82.9
F Wholesale trade	89.6	89.7	94.5	149.4	145.7	97.6
G Retail trade	84.7	57.9	73.9	101.9	120.6	118.4
H Accommodation, cafés and restaurants	100.5	64.8	71.5	96.2	98.4	102.3
I Transport and storage	110.9	111.4	93.3	149.8	116.3	77.6
J Communication services	90.7	99.6	161.7	163.9	246.4	150.4
K Finance and insurance	115.8	101.1	133.6	130.2	159.4	122.5
L Property and business services	96.7	91.9	94.1	141.8	134.5	94.8
M Government administration and defence	136.1	98.9	141.5	108.4	143.8	132.6
N Education	143.2	113.2	120.9	117.9	116.8	99.0
O Health and community services	115.8	105.5	98.4	135.8	117.5	86.5
P Cultural and recreational services	103.3	88.6	102.0	128.0	136.5	106.6
Q Personal and other services	89.6	109.5	77.5	182.3	119.5	65.6
T-Total	100.0	100.0	100.0	149.2	138.3	92.7

Source: Table 7.2.

Table 7.3: AWA/CA wage ratios, 2004 and 2006

Industry	2004	2006	Average of 2004 & 2006
B Mining	81.4	96.4	88.9
C Manufacturing	87.9	85.5	86.7
D Electricity, gas and water supply	97.6	116.5	107.1
E Construction	80.6	82.9	81.8
F Wholesale trade	159.2	97.6	128.4
G Retail trade	115.9	118.4	117.2
H Accommodation, cafés and restaurants	92.7	102.3	97.5
I Transport and storage	87.5	77.6	82.6
J Communication services	123.0	150.4	136.7
K Finance and insurance	123.0	122.5	122.8
L Property and business services	73.6	94.8	84.2
M Government administration and defence	134.1	132.6	133.4
N Education	103.6	99.0	101.3
O Health and community services	81.2	86.5	83.9
P Cultural and recreational services	88.4	106.6	97.5
Q Personal and other services	47.1	65.6	56.4
T Total	97.2	92.7	95.0

Industry wages and gender

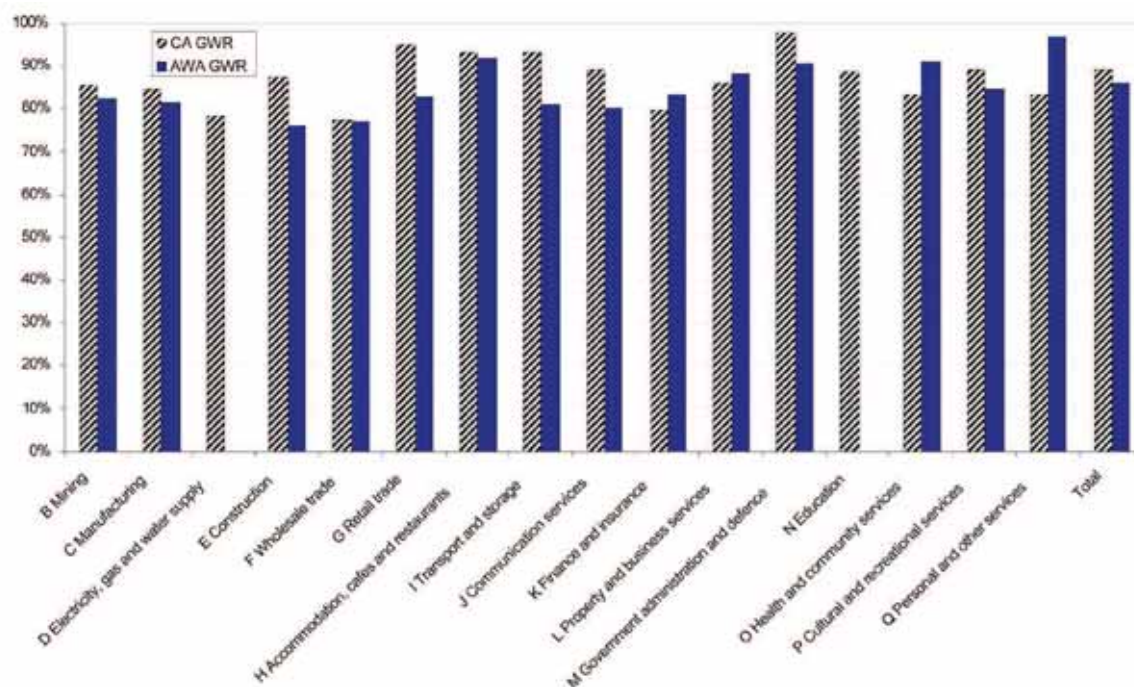
In figure 7.1, the ratio of total hourly earnings of AWAs to CAs for non-managerial employees is shown disaggregated by gender. As table 7.1 shows, amongst women the average AWA/CA pay disadvantage is 11.3 per cent. Amongst men the corresponding ratio is 7.7 per cent. As shown in section 5, median differences are larger.

In almost all industries where AWAs paid less than CAs in 2006, this was true for both men and women, and the same applied in most industries where AWAs paid more than CAs. Even in mining, men and women on AWAs both earned less than their counterparts on CAs, with the AWA shortfall being 2 per cent and 5 per cent respectively in 2006, and larger in 2004. There was only one exception: education, in which, for men, AWAs averaged more than CAs but for women, AWAs averaged less than CAs. However, the estimate for men was subject to high sampling error and hence of limited reliability - and was inconsistent with the 2004 patterns when men on AWAs received less than men on CAs. In 2004 women in communication and retail trade received less than women on CAs, but this pattern was not repeated in 2006.

Within all industries in 2006, women on AWAs and women on CAs received less than their male counterparts on AWAs and CAs, respectively. The gender wage gap was larger for women on AWAs than for women on CAs in ten industries. The gender wage gap was particularly large for AWAs in construction (equal to 24 per cent in 2006). Compared to the gap on CAs, the gender gap on AWAs was also large in retail trade (equal to 5 and 17 per cent, respectively in 2006) and in transport and storage (7 and 19 per cent respectively) in 2006. The gender gap was smaller for women on AWAs than on CAs in only four industries, principally personal and other services (where a higher proportion of men are employed in high-paying emergency services) (see figure 7.2). These results are consistent with the literature elsewhere showing a positive association between CA and smaller gender wage gaps.

The observed gender differences will, in part, relate to differences in qualifications, skills and experience, although as noted earlier typically these factors are only able to account for around one third of the unexplained gaps. Factors such as different bargaining strength underpin the remaining unexplained gaps. The occupational analysis below will shed further light on some of these patterns.

Figure 7.2: Gender wage ratios for AWAs and CAs by industry, non-managerial employees, May 2006



Source: unpublished data from ABS Catalogue 6306.0

8 OCCUPATION AND AGREEMENTS

Table 8.1 details the average hourly total cash earnings for each broad (1 digit) ASCO occupational grouping for males, females and persons for non-managerial employees only. Data are for May 2006 and are disaggregated by method of pay setting - award, registered collective agreement (CA) and federally registered individual agreement (AWA). Table 8.2 shows inter-occupational differences as well as intra-occupational wage ratios disaggregated by form of agreement (method of pay setting).

Managers and administrators along with professionals are, not surprisingly, consistently at the top of the pay distribution. Lower skilled groups are at the bottom. The broad ASCO group, elementary clerical, sales and service workers, for example, earn 66 per cent of the all occupational CA average. The second lowest paid CA group is labourers and related workers on 79 per cent. At May 2006 the average total hourly cash earnings for professionals on AWAs was \$41.50 per hour; amongst labourers and related workers it was \$17.90 (a difference of \$23.60).

Figure 8.1 shows the ratio of AWAs to CAs by occupation in 2006. Table 8.3 shows the same data for 2004 and 2006. For the top three occupational groups, AWA employees earn more on average than CA employees in both 2004 and 2006, though only for professionals does this occur for both genders. Professionals are clearly a group with high labour market power. They are also the occupation with the second highest rate of union density, and include the sub-occupation (education professionals) with the highest rate of union density out of 45 sub-occupations, and with the federal government encouraging education employers to avoid unions and put 'high performers' onto AWAs, an AWA premium is not surprising.

For managers and administrators (really just administrators, as the data relate to non-managerial employees), the data are quite erratic between years for both men and women, probably reflecting small sample size.⁵³ Amongst associate professionals, the AWA premium might reflect the inclusion of some high-paid finance occupations; these tend to be male-dominated, while women associate professionals experienced a small AWA shortfall in 2004, but not 2006.

At the other end of the labour market, labourers and related workers experienced a consistent AWA pay shortfall - their wages were 17 per cent lower than wages of workers on CAs in 2006 (and 14 per cent lower in 2004).

The most disadvantaged group, appeared to be female labourers and related workers - in 2006, those on AWAs were paid 26 per cent less than similar women on CAs. Indeed, in 2006, female labourers and related workers on AWAs were receiving 20 per cent less than the award-reliant average for that occupation. These workers experience most clearly the intersection between gender and the absence of labour market power.

Two other occupational groups showed a consistent AWA pay shortfall in both years. Amongst tradespersons, the shortfall was 10 per cent in 2006 (and 14 per cent in 2004). The shortfall was greater for female tradespersons - 18 per cent in 2006 - than for male tradespersons - 8 per cent in 2006.

Amongst intermediate clerical, sales and service workers (which includes occupations like waiters, sales representatives and child care workers), AWA employees received 2 per cent less than CA workers in 2006 (and 5 per cent less in 2004). There were AWA shortfalls for both men and women in both years.

Two other occupational groups experienced AWA shortfalls in 2006 but not 2004. Advanced clerical and service workers had a 1 per cent AWA shortfall in 2006 (and a 1 per cent premium in 2004). Women experienced AWA shortfalls in both years. Intermediate Production and Transport Workers experienced a small AWA shortfall in 2006 (0.4 per cent) but a larger premium in 2004 (12.6 per cent). Conversely elementary clerical, sales and service workers experienced an AWA shortfall in 2004 but not 2006.

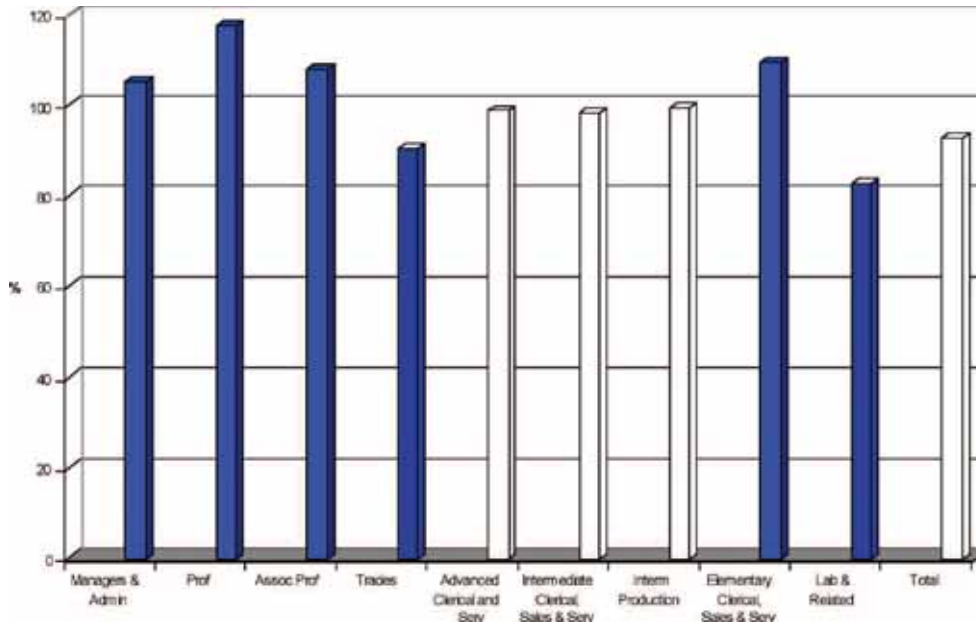
In all, five of the six lowest occupational groups revealed an AWA pay shortfall compared to CAs in 2006. In 2004, this was the case for four of the six lowest occupational groups.

The Victorian situation (Appendix tables A.5 and A.6) was broadly similar to the national one: AWA premiums for administrators and professionals, AWA shortfalls compared to CAs in five out of the six lowest ranked occupational groups. Among labourers and related workers, AWA employees averaged lower earnings than award-reliant employees.

Overall, the pattern of earnings by occupation is consistent with the hypothesis that workers with low bargaining power in the labour market arising from low skill levels are most adversely affected by individual bargaining through AWAs, while occupations with high skill and short demand appear able to maintain high wages under AWAs and possibly attract a union avoidance premium in some cases.

53 The spreadsheets published by the ABS on its website do not include any data for 'non-managerial' managers and administrators, probably because of this.

Figure 8.1: AWA/CA ratio of average total hourly cash earnings by occupation, May 2006



Source: Table 8.3. Note pattern bars indicate instances where the AWA/CA ratio is < 100 per cent.

Table 8.1: Non-managerial employees: average total hourly cash earnings, by occupation, May 2006

Industry	Awards	Males			Females			Persons	
		All Registered Collective Agreements	All Federally Registered Individual Agreements	Awards	All Registered Collective Agreements	All Federally Registered Individual Agreements	Awards	All Registered Collective Agreements	All Federally Registered Individual Agreements
	\$	\$	\$	\$	\$	\$	\$	\$	\$
1 Managers and administrators	32.00	42.50	37.60	26.10	36.90	47.80	28.60	40.30	42.40
2 Professionals	30.10	38.70	43.80	30.30	33.20	37.80	30.30	35.20	41.50
3 Associate professionals	21.00	32.10	33.70	20.20	27.30	29.60	20.50	29.90	32.30
4 Tradespersons and related workers	15.00	28.90	26.50	14.90	20.40	16.80	15.00	28.40	25.70
5 Advanced clerical and service workers	19.50	31.80	36.80	19.00	25.30	23.90	19.10	26.80	26.50
6 Intermediate clerical, sales and service workers	19.40	24.70	23.10	17.90	21.70	21.50	18.20	22.60	22.20
7 Intermediate production and transport workers	18.90	26.30	25.70	16.70	18.70	21.10	18.50	25.30	25.20
8 Elementary clerical, sales and service workers	17.50	19.60	21.00	16.00	17.10	18.40	16.60	18.10	19.80
9 Labourers and related workers	16.70	22.80	19.60	16.80	18.20	13.40	16.70	21.60	17.90
T Total	18.00	28.70	26.50	18.60	25.70	22.80	18.30	27.30	25.30

Source: ABS 6306.0, unpublished data.

Table 8.2: Non-managerial employees' average total hourly cash earnings by occupation and method of pay setting. Instrument pay ratios, May 2006

Occupation	Inter-occupational wage ratios			Intra-occupational wage ratios		
	Awards	All Registered Collective Agreements	All Federally Registered Individual Agreements	CA/Award	AWA/Award	AWA/CA
	%	%	%	%	%	%
1 Managers and administrators	156.3	147.6	167.6	140.9	148.3	105.2
2 Professionals	165.6	128.9	164.0	116.2	137.0	117.9
3 Associate professionals	112.0	109.5	127.7	145.9	157.6	108.0
4 Tradespersons and related workers	82.0	104.0	101.6	189.3	171.3	90.5
5 Advanced clerical and service workers	104.4	98.2	104.7	140.3	138.7	98.9
6 Intermediate clerical, sales and service workers	99.5	82.8	87.7	124.2	122.0	98.2
7 Intermediate production and transport workers	101.1	92.7	99.6	136.8	136.2	99.6
8 Elementary clerical, sales and service workers	90.7	66.3	78.3	109.0	119.3	109.4
9 Labourers and related workers	91.3	79.1	70.8	129.3	107.2	82.9
T Total	100.0	100.0	100.0	149.2	138.3	92.7

Source: Table 8.1.

Occupational wages and gender

The Australian labour market is characterised by a high degree of occupational segregation, both vertically and horizontally.⁵⁴ Occupation and occupation level is, as noted earlier, an important determinant of wage variation across individuals. Low skilled occupations are typically at the bottom of the distribution along with those where bargaining power is low. The historical undervaluation of jobs where women are disproportionately concentrated (eg child-care, teaching, nursing) also contributes to gender wage disparities as does form of employment, with part-timers at a significant pay disadvantage relative to full-timers *ceteris paribus*.⁵⁵

Gender pay differentials also reflect, in part, different bargaining skills and bargaining strength of men and women. Studies have shown that relative to men, women are less likely to initiate salary negotiations. In negotiations, women ask for, and receive, less than men.⁵⁶ Women, therefore, face potentially more risk in a decentralised bargaining context, especially one privileging individual bargaining.

In figure 8.2, we chart the AWA/CA ratio for total hourly earnings disaggregated by occupation and sex. The data, as before, are for non-managerial employees. We have already mentioned the poor outcomes for women amongst labourers and related workers, tradespersons and advanced clerical and service workers. In dollar terms, the wage differential between men and women employed as labourers and related workers is \$6.20 per hour or \$235.60 per week (for a 38 hour week) (\$12251.20 per annum). This is a sizeable difference. Within this grouping, human capital (education) differences are unlikely to account for much of the observed differences. Rather we can be confident in suggesting that the differences reflect different bargaining strategies and strengths, with women on AWAs faring particularly poorly.

54 A. C. Preston, & G. Whitehouse, 'Gender Differences in Occupation of Employment within Australia', *Australian Journal of Labour Economics*, vol. 7(3) September 2004, pp. 309–27.

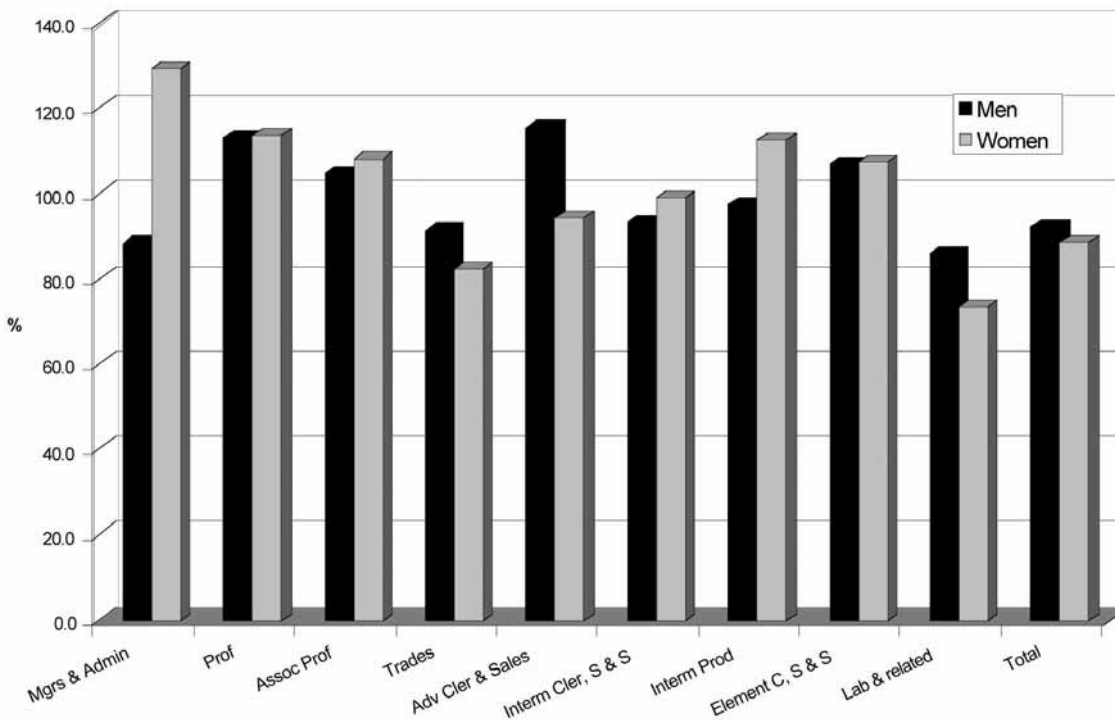
55 Hiau Joo Kee, 'Glass Ceiling or Sticky Floor? Exploring the Australian Gender Pay Gap', *Economic Record*, 82(259), 2006, pp. 408–27.

56 L. Babcock, & S. Laschever, *Women Don't Ask: Negotiation and the Gender Divide*. Princeton, NJ: Princeton University Press, 2003. L. A. Barron, 'Ask and you shall receive? Gender differences in negotiators' beliefs and requests for a higher salary', *Human Relations*, vol. 56(6), 2003, pp. 635–62.

Table 8.3 AWA/CA ratio in average hourly total cash earnings by gender, 2004 and 2006

Occupation	Males		Females		Persons	
	2004	2006	2004	2006	2004	2006
Managers and administrators	137.5	88.5	81.0	129.5	124.3	105.2
Professionals	114.7	113.2	100.7	113.9	117.4	117.9
Associate professionals	117.1	105.0	98.0	108.4	111.7	108.0
Tradespersons and related workers	85.3	91.7	73.7	82.4	86.2	90.5
Advanced clerical and service workers	97.6	115.7	97.5	94.5	101.2	98.9
Intermediate clerical, sales and service workers	93.3	93.5	95.5	99.1	95.2	98.2
Intermediate production and transport workers	108.5	97.7	123.1	112.8	112.6	99.6
Elementary clerical, sales and service workers	102.8	107.1	90.6	107.6	97.0	109.4
Labourers and related workers	83.6	86.0	92.6	73.6	86.1	82.9
Total	100.0	92.3	87.1	88.7	97.2	92.7

Figure 8.2: AWA/CA average total hourly cash earnings ratio by occupation and gender, May 2006



9 SUMMARY AND CONCLUSIONS

The effects of labour market deregulation on earnings and the wage structure has been the object of intense research and debate nationally and internationally. Within Australia, it has been the subject of particular inquiry given government claims that the reforms will engender wage increases. The positive link between wages growth and IR reform was the focus of the (failed) 1999 *More Jobs, Better Pay* bill and the subsequent *Workplace Relations Amendment (Work Choices) Act 2005*.⁵⁷

In this paper, we have used unpublished data from the ABS *Employee Hours and Earnings Survey* (EEH 6306.0) to shed particular light on the effects of individual and collective bargaining on earnings. Analysis is disaggregated by firm size, industry of occupation, occupation and sex.

The data reveal that the relative position of workers on AWAs is worse than previously believed. They show that the typical (median) AWA employee earns 16.3 per cent less than the typical worker on a collective agreement. The AWA shortfall appears greater for women (18.7 per cent) than for men (15.4 per cent), though this gender gap was narrower in 2006 than it was in 2004. Previous estimates of the differential between earnings of employees under AWAs and CAs have understated the apparent disadvantage facing employees under AWAs. Initial estimates after the EEH data were published put the gap at 3.3 per cent.⁵⁸

There are two reasons why the AWA shortfall was reportedly lower in previous research. First, previous estimates have relied on data concerning registered individual contracts and hence have included employees on state registered individual agreements. Although the additional numbers in the sample would be low, the average hourly reported wages in state agreements is nearly double the average in AWAs, thus inflating the average wages of individuals on individual agreements. Their inclusion accounted for about one-third of the difference. The second reason concerns measure used. Around two-thirds of the difference between the old and new estimates may be attributed to the use of average rather than median earnings estimates. With nearly 70 per cent of AWA employees earning below average AWA earnings (as a result of the skewing of AWA data by highly paid miners and higher ranking public servants), the average earnings data significantly overstate the earnings of the typical (median) AWA employee.

These data mainly reflect the outcomes for agreements signed under the former 'no disadvantage' test. Given the loss of conditions under WorkChoices AWAs documented in section 2, outcomes for WorkChoices AWAs would very likely be worse, even with the operation of the 'fairness test', as the latter is a weaker test than the former 'no disadvantage' test. We should also remember that the data here will understate the gap between AWAs and union CAs, as the CA data include non-union CAs

(which have, on average, lower wage increases than union CAs) and are also depressed by the impact of free riders on bargaining power of unionised workers negotiating new CAs.

The data described in this report support the hypotheses that the effects of AWAs will vary according to the reason for their introduction and the labour markets in which employees are working. AWA premiums may occur (that is, AWAs may pay higher than CAs) where employers are seeking to use AWAs to avoid unions, at least in the short run. However, where employers are more focused on cost minimisation strategies, AWAs will be used to reduce average pay and conditions of employees. This will most likely be the case for those workers whose skills are not unique and who have limited bargaining power. If there are 'flexibility' benefits for employees and employers through AWAs, they are not apparent at either the aggregate or disaggregated level.


The overall AWA (median) shortfall of 16.3 per cent suggests that cost-minimisation is an important element in AWA strategising, and any 'flexibility' benefits that exist are not enough to offset the cost-minimisation effects on wages.

Consistent with that, we found that the strongest negative effects of AWAs on wages, compared to CAs, were found in small and to a lesser extent medium sized organisations, where union avoidance is not typically a consideration and competition is often significant. That is, in small organisations, AWAs are used for cost-minimisation purposes and lead to lower wages than collective agreements. In very large businesses, AWAs are also used for union avoidance purposes and appear to have a premium attached to them compared to CAs.

In most of the industries strongly associated with union avoidance, there was an AWA premium, the main exception being mining where the highly unionised coal mining sector has been able to maintain high rates of pay and where AWAs are, in coal mining at least, principally used for contractors in insecure employment. In many other industries, cost minimisation approaches appear reflected, to varying degrees, in shortfalls for AWA workers compared to workers on collective agreements. In some cases the particular structures of the industries produce specific outcomes: for example, in retailing, the 'exempt worker' arrangements guaranteed that the average earnings of AWA workers would be higher than those of CA or award workers; while in personal and other services, an exaggerated AWA shortfall was created by the inclusion of highly paid emergency service workers. However, AWAs clearly paid well below CAs in manufacturing, construction, transport and storage, property and business services and health and community services. The (average) shortfall (AWA/CA gap) within the transport and storage sector was, for example, equal to 22 per cent at May 2006.

57 The Workplace Relations Legislation Amendment (More Jobs, Better Pay) Bill was originally introduced on 30th June 1999. Although it failed to win support in the senate it did serve as a prototype for reforms subsequently introduced via WorkChoices.

58 D. Peetz, *Assessing the Impact of WorkChoices: One Year On*, Report to Department of Innovation, Industry and Regional Development, Victoria., Melbourne



Occupational patterns were broadly consistent with the idea that labour market power has a major influence on AWA outcomes. While professionals with unique skills were able to demonstrate an AWA premium, labourers and related workers were clearly highly disadvantaged by AWAs, facing a shortfall in average earnings of 17 per cent.

Women tended to be more disadvantaged by AWAs than men. This was apparent in the overall statistics on median earnings, and also in average earnings patterns in those areas where AWA workers did worst as a result of poor bargaining power. Thus in the smallest organisations, the AWA shortfall was larger for women. Amongst labourers and related workers, the AWA shortfall was larger for women. And amongst casuals, women on registered individual contracts had a larger AWA shortfall by comparison with collective agreements.

The disadvantage facing Victorian workers on AWAs appeared even worse than in the national estimates. AWA workers fell even below the award average amongst labourers and related workers, hospitality industry workers and in firms with fewer than 20 employees. Perhaps this reflects the low importance of the mining industry to Victoria: some occupations within this group - including mining support workers, drillers' assistants, earthmoving labourers and the like - would benefit from the mining boom in Western Australia, but not Victoria.

As a general point, though, it is more difficult to assess the impact of AWAs by reference to awards than by reference to collective agreements. This is because average award earnings are skewed by the tendency for only workers on low classifications to be paid only the award rate (as shown by the award wages data for tradespersons, discussed in section 4). We need to look at workers who are predominantly covered by awards, in order to gain a representative picture of award earnings, and then see how AWA earnings differ from award earnings.

Two related groups of workers give us an insight into the effect of AWAs by comparison with awards. First, the hospitality industry is the only industry with the majority of workers working under awards, so the distribution of award wages probably reasonably reflects the distribution of award rates of pay. In that industry, AWA workers receive an average of 2 per cent less than average award wages. Unfortunately we do not have data on median earnings for that industry, but based on aggregate data, the gap in median earnings could be higher.

Second, some 47 per cent of female casual workers are award-reliant, and indeed casual workers make up half of all award-reliant female workers. We found that female casual workers on AWAs received average earnings some 7.5 per cent below average award earnings. These two figures are probably the

closest we can come to a like-with-like comparison of AWAs and award rates, for workers without any special bargaining power. They suggest that, despite the headline claims, AWAs can often lead to earnings falling below the award average. They also demonstrate that individual 'bargaining', through AWAs, is especially detrimental for women, particularly when they lack labour market power.

Overall, the dominant pattern with AWAs is that they are typically associated with poorer average earnings than registered collective agreements. They also appear to be associated with lower median wages growth than collective agreements. While AWAs sometimes attract wage premiums, associated with union avoidance strategies, these mainly affect outcomes in a small number of industries and in some very large organisations. Where union avoidance is not a common issue, for example in small organisations, the negative impact of AWAs on earnings becomes very stark. The impact of AWAs is worst for those people without unique skills, who do not have strong bargaining power in the labour market.

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APPENDIX A

AWA AND CA EARNINGS – VICTORIAN DATA

Table A.1: Non-managerial employees' average total hourly cash earnings, by firm size, Victoria, May 2006

Number of employees	Awards	Males		Awards	Females		Awards	Persons	
		All Registered Collective Agreements	All Federally Registered Individual Agreements		All Registered Collective Agreements	All Federally Registered Individual Agreements		All Registered Collective Agreements	All Federally Registered Individual Agreements
	\$	\$	\$	\$	\$	\$	\$	\$	\$
Fewer than 20	16.40	26.70	18.80	16.80	28.30	12.60	16.60	27.00	15.50
20-49	18.10	30.00	18.90	16.50	24.70	26.30	17.20	27.60	21.20
50-99	18.00	25.50	19.70	18.80	21.90	19.80	18.60	24.00	19.70
100-499	18.00	26.90	21.60	19.20	24.60	19.20	18.50	25.80	20.30
500-999	20.00	27.40	* 27.00	20.50	23.10	25.90	20.20	25.30	26.50
1000 plus	22.60	30.30	44.90	20.40	26.20	37.20	21.80	28.10	40.50
Total	18.00	28.60	24.70	17.90	25.20	22.80	17.90	26.90	23.80

Source: ABS 6306.0, unpublished data. Note * indicates that the figure should be treated with caution

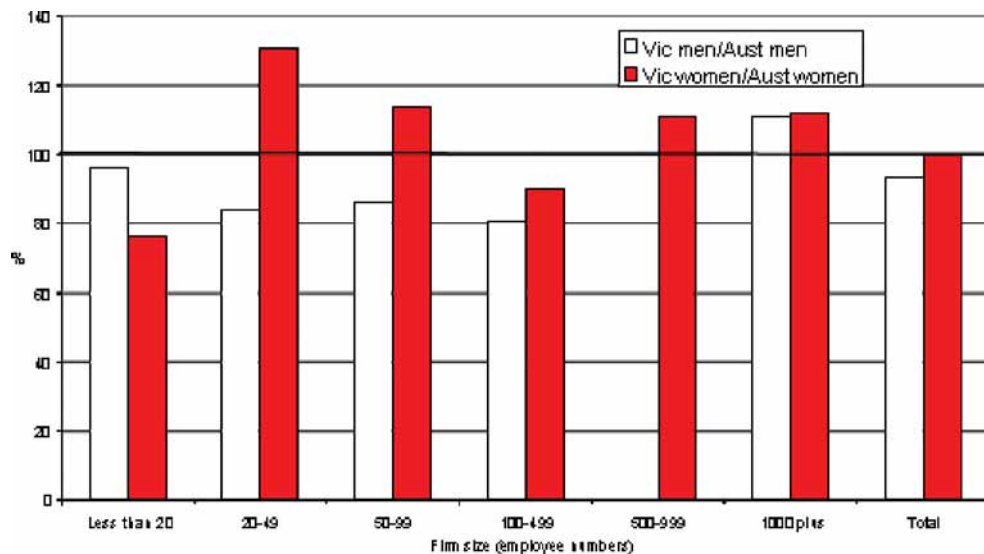
Table A.2: Non-managerial employees' average total hourly cash earnings by firm size and method of pay setting. Instrument pay ratios, May 2006

Number of employees	Awards	Inter-firm size wage ratios			Intra-firm size wage ratios	
		All Registered Collective Agreements	All Federally Registered Individual Agreements	CA/Award	AWA/Award	AWA/CA
	%	%	%	%	%	%
Fewer than 20	92.7	100.4	65.1	162.7	93.4	57.4
20-49	96.1	102.6	89.1	160.5	123.3	76.8
50-99	103.9	89.2	82.8	129.0	105.9	82.1
100-499	103.4	95.9	85.3	139.5	109.7	78.7
500-999	112.8	94.1	111.3	125.2	131.2	104.7
1000 plus	121.8	104.5	170.2	128.9	185.8	144.1
Total	100.0	100.0	100.0	150.3	133.0	88.5

Source: Table A.1



Figure A.1: Comparing the average hourly (total) AWA earnings of Victorians and Australians, by firm size and sex, May 2006



Source: unpublished ABS 6306.0 data. Note estimates unreliable for Victorian men in firms of 500-999 employees and so not shown in this diagram.

Interpretation of graph: At May 2006 the common ratio of average total hourly earnings in the AWAs of Victorian men and Australian men was 93 per cent indicating that men employed on AWAs in Victoria earned 7 per cent less than their male counterparts in the federal jurisdiction nationally. In firms of between 100 and 499 employees the corresponding shortfall was 19.5 per cent.

Table A.3: Non-managerial employees' average total hourly cash earnings, by industry, Victoria, May 2006

Industry	Males			Females			Persons		
	Awards	All Registered Collective Agreements	All Federally Registered Individual Agreements	Awards	All Registered Collective Agreements	All Federally Registered Individual Agreements	Awards	All Registered Collective Agreements	All Federally Registered Individual Agreements
	\$	\$	\$	\$	\$	\$	\$	\$	\$
B Mining	18.70	34.30	31.80	*	26.00	25.40	18.70	33.90	30.70
C Manufacturing	17.20	26.10	20.30	17.70	23.40	20.10	17.30	25.60	20.20
D Electricity, gas and water supply	25.20	35.60	*	19.80	25.30	*	22.00	32.30	*
E Construction	17.20	32.00	24.00	16.40	24.20	*	17.20	31.90	24.00
F Wholesale trade	15.00	29.20	20.50	19.00	19.30	20.00	16.70	26.10	20.20
G Retail trade	15.90	16.60	16.80	15.50	15.80	15.50	15.70	16.10	16.10
H Accommodation, cafés and restaurants	19.10	21.00	18.70	18.60	19.60	15.40	18.70	20.30	17.70
I Transport and storage	21.70	28.90	23.30	15.90	25.20	19.80	20.80	28.40	22.90
J Communication services	*	28.40	47.30	*	24.80	39.70	*	27.20	43.50
K Finance and insurance	25.80	34.00	35.00	20.40	26.40	33.50	22.30	30.10	34.00
L Property and business services	19.80	28.20	21.30	16.80	24.90	21.40	18.30	26.70	21.40
M Government administration and defence	*	26.10	40.30	*	25.90	46.20	*	26.00	41.80
N Education	*	32.20	24.20	24.60	27.20	25.20	22.80	28.70	24.90
O Health and community services	18.60	33.00	26.40	20.60	27.20	22.00	20.50	28.60	23.90
P Cultural and recreational services	18.40	25.90	17.60	16.20	22.60	17.00	17.40	23.80	17.30
Q Personal and other services	16.30	31.40	22.40	16.10	24.60	18.70	16.10	29.70	21.20
T Total	18.00	28.60	24.70	17.90	25.20	22.80	17.90	26.90	23.80

See notes to Table A.1

Table A.4: Non-managerial employees' average total hourly cash earnings by industry and method of pay setting. Instrument pay ratios, Victoria, May 2006

Industry	Inter-industry wage ratios			Intra-industry wage ratios		
	Awards	All Registered Collective Agreements	All Federally Registered Individual Agreements	CA/Award	AWA/Award	AWA/CA
	%	%	%	%	%	%
B Mining	104.5	126.0	129.0	181.3	164.2	90.6
C Manufacturing	96.6	95.2	84.9	148.0	116.8	78.9
D Electricity, gas and water supply	122.9	120.1	*	146.8	*	*
E Construction	96.1	118.6	100.8	185.5	139.5	75.2
F Wholesale trade	93.3	97.0	84.9	156.3	121.0	77.4
G Retail trade	87.7	59.9	67.6	102.5	102.5	100.0
H Accommodation, cafés and restaurants	104.5	75.5	74.4	108.6	94.7	87.2
I Transport and storage	116.2	105.6	96.2	136.5	110.1	80.6
J Communication services	*	101.1	182.8	*	*	159.9
K Finance and insurance	124.6	111.9	142.9	135.0	152.5	113.0
L Property and business services	102.2	99.3	89.9	145.9	116.9	80.1
M Government administration and defence	127.4	96.7	175.6	114.0	183.3	160.8
N Education	*	106.7	104.6	*	*	86.8
O Health and community services	114.5	106.3	100.4	139.5	116.6	83.6
P Cultural and recreational services	97.2	88.5	72.7	136.8	99.4	72.7
Q Personal and other services	89.9	110.4	89.1	184.5	131.7	71.4
T Total	100.0	100.0	100.0	150.3	133.0	88.5

See notes to Table A.1

Figure A.2: Comparing the average hourly (total) AWA earnings of Victorians and Australians, by industry and sex, May 2006

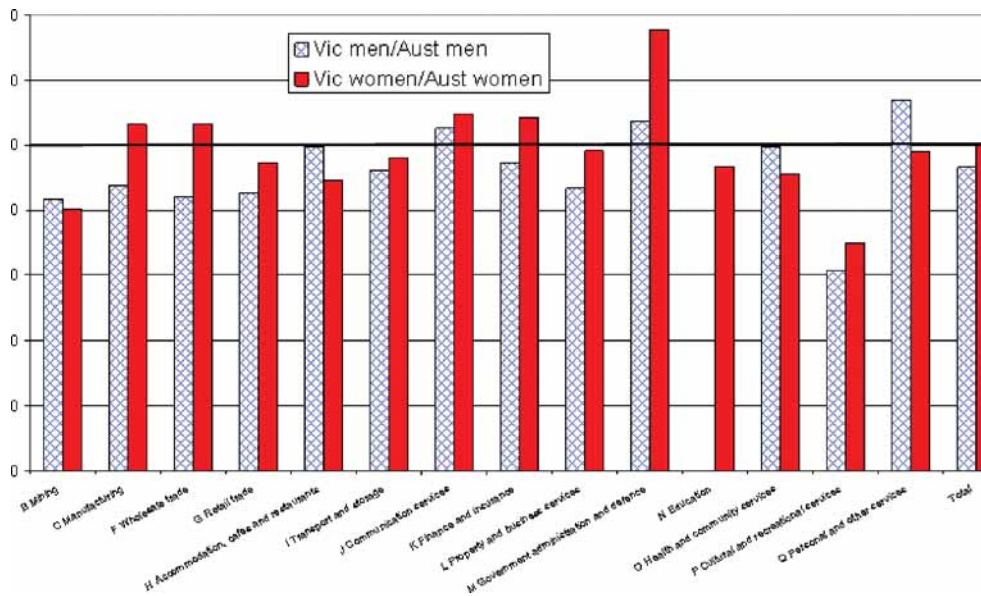


Table A.5: Non-managerial employees' average total hourly cash earnings, by occupation, Victoria, May 2006

Occupation	Males			Females			Persons		
	Awards	All Registered Collective Agreements	All Federally Registered Individual Agreements	Awards	All Registered Collective Agreements	All Federally Registered Individual Agreements	Awards	All Registered Collective Agreements	All Federally Registered Individual Agreements
	\$	\$	\$	\$	\$	\$	\$	\$	\$
1 Managers and administrators	44.70	41.10	75.40	21.40	33.90	*55.60	24.70	37.50	56.10
2 Professionals	26.70	36.40	42.70	31.00	31.30	42.80	29.50	33.00	42.80
3 Associate professionals	22.90	32.10	31.00	16.80	26.80	28.10	18.70	29.50	29.80
4 Tradespersons and related workers	15.90	29.00	22.60	15.50	23.90	16.30	15.90	28.80	19.90
5 Advanced clerical and service workers	19.10	30.50	27.40	19.60	25.40	22.10	19.50	26.40	22.80
6 Intermediate clerical, sales and service workers	21.40	24.00	22.80	17.50	21.50	21.70	18.50	22.20	22.10
7 Intermediate production and transport workers	18.40	26.20	18.50	17.20	18.80		18.10	25.00	18.50
8 Elementary clerical, sales and service workers	17.80	19.30	18.20	16.10	17.20	19.20	16.80	18.00	18.90
9 Labourers and related workers	16.50	25.20	18.20	16.00	20.10	* 7.50	16.40	23.90	15.40
T Total	18.00	28.60	24.70	17.90	25.20	22.80	17.90	26.90	23.80

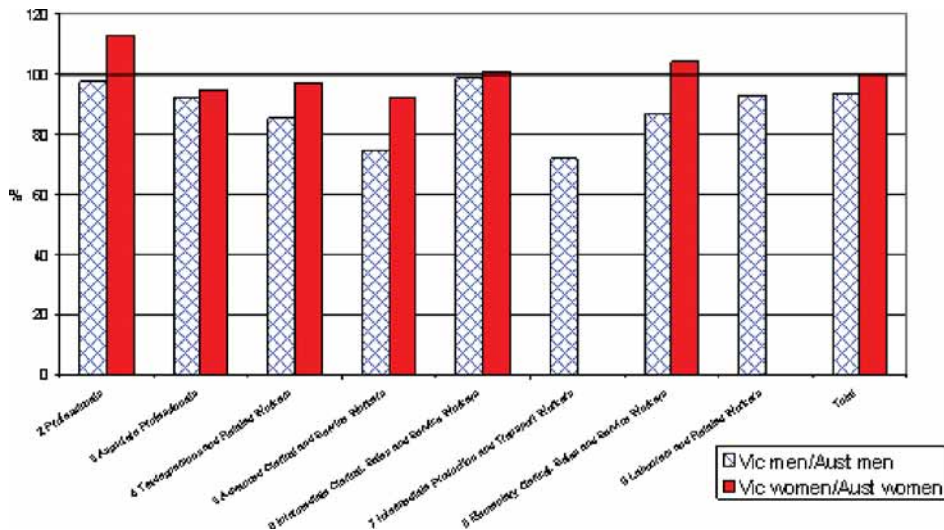
See notes to Table A.1

Table A.6: Non-managerial employees' average total hourly cash earnings by occupation and method of pay setting. Instrument pay ratios, Victoria, May 2006

Occupation	Inter-occupational wage ratios			Intra-occupational wage ratios		
	Awards	All Registered Collective Agreements	All Federally Registered Individual Agreements	CA/Award	AWA/Award	AWA/CA
	%	%	%	%	%	%
1 Managers and administrators	138.0	139.4	235.7	151.8	227.1	149.6
2 Professionals	164.8	122.7	179.8	111.9	145.1	129.7
3 Associate professionals	104.5	109.7	125.2	157.8	159.4	101.0
4 Tradespersons and related workers	88.8	107.1	83.6	181.1	125.2	69.1
5 Advanced clerical and service workers	108.9	98.1	95.8	135.4	116.9	86.4
6 Intermediate clerical, sales and service workers	103.4	82.5	92.9	120.0	119.5	99.5
7 Intermediate production and transport workers	101.1	92.9	77.7	138.1	102.2	74.0
8 Elementary clerical, sales and service workers	93.9	66.9	79.4	107.1	112.5	105.0
9 Labourers and related workers	91.6	88.8	64.7	145.7	93.9	64.4
T Total	100.0	100.0	100.0	150.3	133.0	88.5

See notes to Table A.1

Figure A.3: Comparing the average hourly (total) AWA earnings of Victorians and Australians, by occupation and sex, May 2006



For further Information

For more information, go to the Industrial Relations
Victoria website at:

www.irv.vic.gov.au

Industrial Relations Victoria

Department of Innovation, Industry and Regional Development

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