

Trends in enterprise bargaining



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SEPTEMBER QUARTER 2000

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SEPTEMBER QUARTER – KEY FIGURES

Average Annual Wage Increases Per Employee

	June quarter 2000 %	September quarter 2000 %	Change % points
Wage agreements in the quarter			
All sectors	3.4	4.1	0.7
Private sector	3.8	3.9	0.1
Public sector	3.0	4.3	1.3
All current wage agreements			
All sectors	3.6	3.6	0.0
Private sector	3.7(r)	3.7	0.0
Public sector	3.4	3.6	0.2

Note: (r) = Revised since the publication of June-Trends in Enterprise Bargaining.

SEPTEMBER QUARTER – KEY POINTS

- Federal wage agreements formalised in the September quarter 2000 paid an average annualised wage increase (AAWI) of 4.1 per cent per employee, up 0.7 percentage points from the June Quarter 2000.
- Private sector AAWI rose by 0.1 percentage points from the June quarter to 3.9 per cent in the September quarter, while the public sector AAWI increased by 1.3 percentage points from the June quarter to 4.3 per cent for the September quarter.
- Three large public sector agreements certified in the September quarter have had a marked effect on measured AAWIs. If these agreements were excluded from the September quarter then the AAWI for new public sector agreements would drop to 3.5 per cent while the AAWI for all agreements certified in the quarter would fall from 4.1 to 3.7 per cent.
- All current federal wage agreements, as at 30 September 2000, granted an AAWI of 3.6 per cent per employee, unchanged from the June quarter. Private sector current wage agreements remained unchanged with an AAWI of 3.7(r). In the public sector, the AAWI per employee was 3.6 per cent, an increase of 0.2 percentage points from the June quarter.

Information

Note: This report summarises the latest estimates from the Department of Employment, Workplace Relations and Small Business' (DEWRSB) Workplace Agreements Database (WAD). All estimates are rounded to one decimal place, and are subject to revision.

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Next release: The December quarter 2000 Trends in Enterprise Bargaining report is scheduled for release in late February.

Chart A: Federal wage agreements

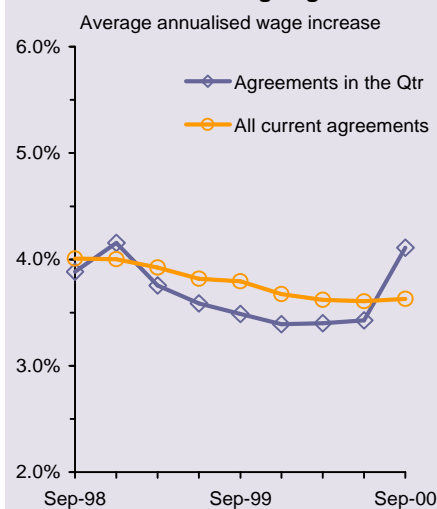
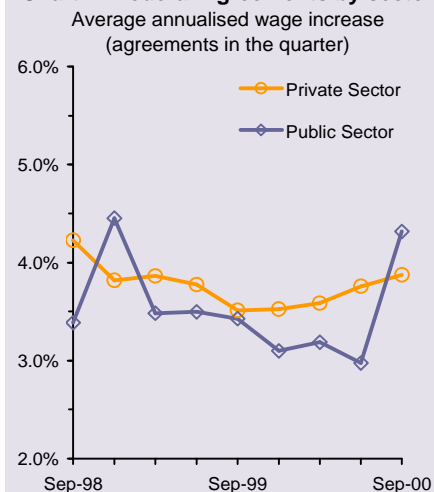


Chart B: Federal Agreements by sector



DEVELOPMENTS IN FEDERAL AGREEMENTS

Pace of agreement making

Federal agreement making picked up significantly during the September quarter 2000. There were 2 034 federal enterprise agreements, covering an estimated 195 300 employees, formalised by the AIRC and entered on the Department of Employment, Workplace Relations and Small Business' (DEWRSB) Workplace Agreements Database (WAD) in the September quarter 2000. This brings the total number of federal agreements formalised by the AIRC from October 1991 to the end of September 2000 to 34 060.

There were 1 980 federal wage agreements certified in the September quarter, covering an estimated 181 300 employees.

Wage agreements with quantifiable wage increases (see Technical Notes) accounted for 81 per cent of agreements and 82 per cent of employees covered by agreements formalised in the September quarter 2000. This compares with 72 per cent of agreements covering 73 per cent of employees in the June quarter 2000. Non-quantifiable wage agreements accounted for 16 per cent of all agreements in the September quarter 2000 and covered 11 per cent of employees. The remaining three per cent of agreements included employment conditions only and covered seven per cent of employees.

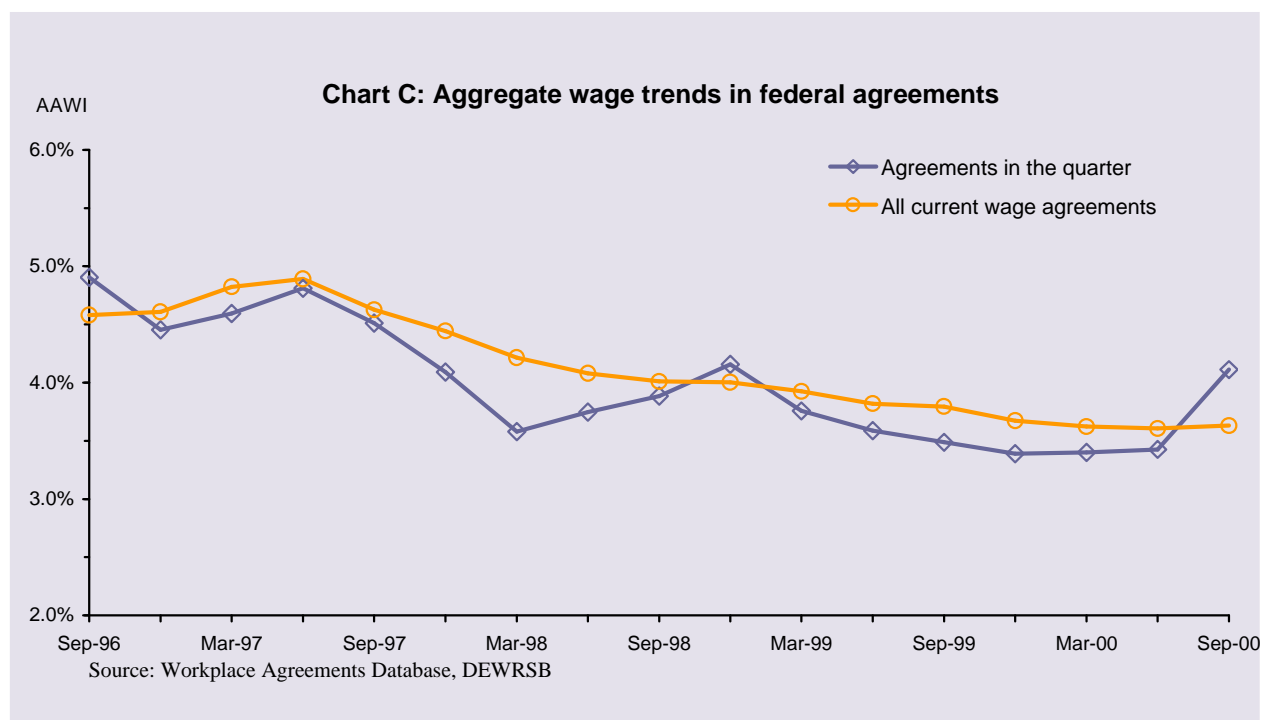
There were 8 400 federal wage agreements current at 30 September 2000, covering an estimated 1 282 200 employees.

Average annualised wage increases per employee

Chart C below compares trends over the past four years in the two key wage measures. These are an estimate of the average annualised wage increase (AAWI) per employee for federal wage agreements formalised by the AIRC in a particular quarter, and the AAWI per employee for all federal wage agreements current at the last day of a quarter. An explanation of how both these estimates are calculated can be found in the Technical Notes.

While the quarterly AAWI series is a useful forward indicator of the average annual increase paid by new federal agreements, just over 2.5 per cent of all employees in Australia are covered in the September quarter's figures. By contrast, the 'all current' AAWI estimate covers a much larger group - approximately 17 per cent of all employees at the end of September 2000.

For agreements formalised in the September quarter 2000, AAWI was 4.1 per cent per employee, up 0.7 percentage points from the June quarter 2000. For all current federal wage agreements at 30 September 2000, AAWI was 3.6 per cent per employee, unchanged from the June quarter 2000. Despite the 'in the quarter' series increasing this quarter, the 'all current' series has remained fairly constant over the past 12 months.



TECHNICAL NOTES

The Workplace Agreements Database

The Workplace Agreements Database (WAD) is maintained by the Labour Market Policy Group of the Department of Employment, Workplace Relations and Small Business (DEWRSB). The WAD contains information on all known federal enterprise agreements which have been certified or approved by the Australian Industrial Relations Commission (AIRC) since the introduction of the Enterprise Bargaining Principle in October 1991. The WAD covers general details (such as sector, ANZSIC, duration, employees covered), wage details (quantum and timing of increases), and employment conditions. Information entered on the WAD is drawn from copies of federal agreements lodged with the Australian Industrial Registry.

Employee coverage

Information on the number of employees covered by an agreement is drawn from the statutory declarations provided to the AIRC by the parties, along with AIRC transcripts and decisions, and employer contacts.

Actual employee numbers are known for 86% of all new agreements certified in the September quarter. Where employee coverage is not known, a 'modified mean' is used to estimate employee coverage. The modified mean is generated for each industry group by calendar year removing the largest 5% and smallest 5% of agreements, and then calculating the mean of the remainder.

Duration of agreements

The WAD uses the 'effective duration' of each agreement rather than formal duration (that is, the period from certification to expiry) to measure agreement duration. The effective duration of a wage agreement is the difference in months between: (1) certification and expiry date, (2) commencement and expiry date, or (3) the date of the first wage increase and expiry date, whichever period is the greatest.

Average annualised wage increases

Estimates of average wage increases are calculated for those federal wage agreements that paid *quantifiable* increases. Wage agreements whose average percentage increase could not be quantified (eg, those introducing a new salary structure) are excluded from these estimates.

For quantifiable wage agreements, the *average annualised wage increase (AAWI) per agreement* is calculated by (1) summing the percentage wage increases to give a total percentage wage increase for each agreement (flat dollar increases are converted to a percentage using average weekly ordinary time earnings (AWOTE) for the relevant ANZSIC industry division and quarter) and (2) annualising the total percentage wage increase by dividing it by the effective duration and multiplying it by 12. For the few agreements whose duration is less than one year, a 12 month duration is assumed when calculating AAWI.

AAWI per agreement provides only a simple unweighted average and tends to overstate the average wage increase received by employees. For this reason *Trends in Enterprise Bargaining* reports the *average annualised wage increase (AAWI) per employee*, which is calculated by weighting AAWI per agreement by the number of employees covered by that agreement.

The *all current* wage estimates are the AAWI per employee for all quantifiable federal wage agreements that are current on the last day of the quarter.

Estimates of AAWI generally exclude increases paid in the form of conditional performance pay, one-off bonuses, profit sharing or share acquisition, as these data cannot readily be either quantified or annualised. This, along with the use of a simple rather than compound percentage wage increase, may result in a small under-estimation of average wage increases.

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TABLE A: FEDERAL WAGE AGREEMENTS, BY INDUSTRY AND SECTOR, SEPT QUARTER 1997 - SEPT QUARTER 2000

FOR AGREEMENTS CERTIFIED DURING THE SEPTEMBER QUARTER INDUSTRY/SECTOR	Sep-97	Dec-97	Mar-98	Jun-98	Sep-98	Dec-98	Mar-99	Jun-99	Sep-99	Dec-99	Mar-00	Jun-00	Sep-00
	Non-metals manufacturing	204	182	126	183	201	156	152	170	224	220	171	149
AAWI (%)	4.4	4.4	4.5	4.3	3.7	3.8	3.7	4.0	3.4	3.5	3.5	3.4	3.7
Employees ('000)	15.1	13.5	12.9	16.0	18.9	9.4	15.0	12.3	14.5	20.2	14.4	11.6	13.7
Metals manufacturing	228	154	164	158	283	204	245	194	178	183	139	129	181
AAWI (%)	4.8	4.9	4.5	4.6	4.5	4.4	4.2	3.7	3.9	4.0	3.8	3.7	4.1
Employees ('000)	25.9	11.0	15.1	15.3	23.3	18.7	16.9	11.1	16.3	18.1	7.4	8.1	11.9
Infrastructure services	828	603	491	534	1040	1267	836	658	613	688	599	533	1178
AAWI (%)	5.1	5.5	4.5	5.0	4.6	4.1	4.7	3.7	4.1	4.6	3.8	4.3	4.2
Employees ('000)	24.0	51.5	14.0	13.0	36.0	109.4	20.5	73.9	19.7	15.1	22.1	13.1	28.6
Other services	173	224	218	308	414	405	244	234	358	263	239	231	274
AAWI (%)	4.3	3.9	3.6	3.7	3.9	3.4	3.3	3.6	3.3	3.2	3.2	3.1	3.5
Employees ('000)	68.3	153.5	66.3	158.2	110.9	76.9	52.1	98.1	54.3	82.1	30.7	60.6	67.0
Government administration	152	77	86	90	138	85	86	52	87	84	75	60	103
AAWI (%)	4.0	3.2	2.5	3.2	3.3	5.8	3.8	3.1	3.1	2.9	3.1	3.6	4.7
Employees ('000)	9.5	45.0	23.9	33.0	55.6	39.2	18.1	36.6	12.1	14.6	22.7	14.1	58.0
PUBLIC SECTOR	191	152	151	151	265	295	166	146	270	178	173	133	213
AAWI (%)	4.9	4.4	2.8	3.5	3.4	4.5	3.5	3.5	3.4	3.1	3.2	3.0	4.3
Employees ('000)	40.1	112.3	40.0	89.2	93.6	137.5	31.5	146.9	30.6	42.0	41.1	46.0	87.2
PRIVATE SECTOR	1454	1124	964	1162	1859	1871	1429	1209	1236	1290	1090	997	1767
AAWI (%)	4.3	3.8	3.9	4.0	4.2	3.8	3.9	3.8	3.5	3.5	3.6	3.8	3.9
Employees ('000)	106.7	165.8	94.5	148.7	154.1	119.7	92.8	87.1	89.4	109.7	58.3	62.4	94.1
ALL INDUSTRIES	1645	1276	1115	1313	2124	2166	1595	1355	1506	1468	1263	1130	1980
AAWI (%)	4.5	4.1	3.6	3.7	3.9	4.2	3.8	3.6	3.5	3.4	3.4	3.4	4.1
Employees ('000)	146.8	278.1	134.5	237.9	247.7	257.2	124.2	234.0	120.0	151.7	99.4	108.4	181.3
FOR ALL CURRENT AGREEMENTS													
PUBLIC SECTOR													
AAWI (%)	4.9	4.7	4.3	4.1	3.8	3.9	3.7	3.6	3.5	3.5	3.4	3.4	3.6
Employees ('000)	340.1	359.3	346.6	376.9	420.6	478.9	469.6	581.3	479.7	473.4	496.8	448.7	475.3
PRIVATE SECTOR													
AAWI (%)	4.5	4.3	4.2	4.0	4.1	4.1	4.0	4.0	3.9	3.8	3.7	3.7	3.7
Employees ('000)	675.7	761.2	744.7	818.2	779.3	854.2	878.6	910.4	910.3	941.0	921.9	885.5	806.9
ALL INDUSTRIES													
AAWI (%)	4.6	4.4	4.2	4.1	4.0	4.0	3.9	3.8	3.8	3.7	3.6	3.6	3.6
Employees ('000)	1015.8	1120.6	1091.3	1195.1	1200.0	1333.1	1348.3	1491.6	1390.0	1414.4	1418.7	1334.2	1282.2

Notes: 1. AAWI = Average Annual Wage Increase per employee

2. Agreement and employee estimates are for all federal wage agreements in the period, while estimates of AAWI per employee are based on quantifiable wage agreements.

3. Agreements are categorised by Industry group according to ANZSIC Division, as defined by the ABS. The Industry groups are:

'Non-metals manufacturing' - ANZSIC Division C (Manufacturing) excluding 'Metals manufacturing'.

'Metals manufacturing' - ANZSIC Subdivisions 27 and 28.

'Infrastructure services' - ANZSIC Divisions D, E, I and J (Electricity, gas and water supply; Construction; Transport and storage; Communication services).

'Other services' - ANZSIC Divisions F, G, H, K, L, N, O, P, Q (Wholesale trade; Retail trade; Accommodation, cafes and restaurants; Finance and insurance; Property and business; services; Education; Health and community services; Cultural and recreational services; Personal and other services). 'Government administration' ANZSIC - Division M (Govt admin and defence). ANZSIC Divisions A (Agriculture, forestry and fishing) and B (Mining) are not included in the industry groups. They are included in sectoral and all industry totals.

Source: Workplace Agreements Database, DEWRSB, 14 November 2000. All estimates are rounded and are subject to revision. Revisions have been made to historical series.

Trends in enterprise bargaining



INSERT

SEPTEMBER QUARTER 2000

ISSN 1442-5432

This insert for Trends in Enterprise Bargaining looks at, amongst other things, the effect of major agreements on wage outcomes by sector and by industry group. In this report the featured article examines the characteristics and prevalence of agreement making under section 170LK of the Workplace Relations Act 1996.

Average annualised wage increases per employee

As previously mentioned, federal wage agreements formalised in the September quarter 2000 paid an average annualised wage increase (AAWI) of 4.1 per cent per employee, an increase of 0.7 percentage points from the June quarter 2000. However, this increase was driven by an increase in the public sector AAWI of 1.3 percentage points to 4.3 per cent, while the private sector remained relatively stable, increasing 0.1 percentage points to 3.9 per cent for the quarter. These different results were due primarily to several large public sector agreements that were certified in the quarter. These large agreements are discussed in more detail below.

The effect of major agreements on wage trends

There were 55 large agreements (agreements covering more than 500 employees) approved in the September quarter 2000 compared to 34 large agreements in the previous quarter. These agreements accounted for just under three per cent of all agreements approved in the September quarter 2000, but accounted for 57 per cent of employees. This is comparable with the June quarter 2000 figures where large agreements accounted for three per cent of all agreements and 57 per cent of employees.

In the public sector, the largest wage agreement certified in the September quarter 2000 was the Australian Taxation Office (ATO) (General Employees) agreement which covered an estimated 17 700 employees and granted an AAWI of 6.6 per cent. In this agreement and another smaller (933 employees) ATO (Executive Level 2) agreement there was a 13 month lag where employees were not covered by any agreement prior to the certification of the current agreement. The second largest wage agreement was the Department of Defence Employees agreement, which granted an AAWI of 4.4 per cent to an estimated 16 300 employees.

The combination of the large number of employees covered by the above agreements and the higher than average AAWI's they provide accounted for a significant portion of the increase in the all sectors' AAWI for wage agreements certified in the quarter. If the two ATO agreements and the Defence agreement were removed from the quarter's calculations, the overall AAWI for agreements certified in the quarter would fall from 4.1 to 3.7 per cent while the public sector AAWI would be 3.5 instead of 4.3 per cent.

In the private sector, the largest wage agreement in the September quarter 2000 was the Woolworths (SA, NT & Broken Hill) agreement, covering an estimated 4 700 employees and granting an AAWI of 3.3 per cent. The NRMA/FSU agreement and the Star City agreement were the next largest private sector agreements. The Star City agreement provided for a 3.8 per cent AAWI to an estimated 3 800 employees. The total pay increase provided by the NRMA/FSU agreement to around 4 600 employees was not able to be quantified as the wage increments in the second and third years will be determined after consultation with the FSU in August of those years.

Table 1 provides details of all the large agreements certified in the September quarter 2000, including details of some of the methods of providing wage increases. Over the coming 12 months a significant number of very large agreements (defined as covering over 1 000 employees) will expire. The expiry of very large agreements can have a significant impact on the all current agreements AAWI series. While most very large agreements are renegotiated, there is often a time lag between expiry, renegotiation and certification.

In Accommodation, Cafes and Restaurants Division two very large agreements expire in both the December quarter 2000 and the March quarter 2001. These agreements cover a total of 5 500 employees and provide AAWIs that range between 1.4 and 2.5 per cent.

In the Communication Services Division four very large telecommunications agreements covering an estimated 78 300 employees will expire in the December quarter 2000. Of these employees, 56 300 are party to agreements providing an AAWI of 4.0 per cent while the remainder are covered by agreements that cannot be quantified.

In the December quarter 2000 a number of important Finance and Insurance Division agreements expire. These eight

Table 1: Large Federal Agreements Certified in September Quarter 2000		Duration	Total Wage	AAWI	Emps	Notes	
Title		(yrs)	(%)	(%)			
Private Sector Large agreements							
Elec, Gas and Water, Constr, Trans & Stor, Communi	Advantra Enterprise Agreement 2000	2.0	*	*	686	1,6,18	
	Ansett Australia - TWU (Functional Appendix) Agreement 2000	1.4	*	*	1700	8,19	
	Ansett Australia ALAEA Line Maintenance (Functional Appendix) Agreement 2000	1.3	*	*	542	8,19	
	Ansett Australia Australian Services Union (Functional Appendix) Agreement 2000	1.4	*	*	5600	8,19	
	Ansett Australia Pilots (Functional Appendix) Agreement 2000	1.0	*	*	813	8,19	
	Gordon and Gotch National Agreement 2000	2.0	8.0	4.0	500		
	McPhee Transport (Federal) Enterprise Agreement 2000	2.8	9.0	3.2	757	6	
Metals Manuf	BHP Coated Steel Australia Western Port Certified Agreement 2000/2001	1.3	7.0	5.3	1027	5	
	Portland Aluminium (Operators) Agreement 2000	1.0	*	*	600	5,17	
Non-metals Manuf	Bridgestone Aus. Ltd, Tyre Manufact'g & Develop't Division, Redundancy/Retrenchment CA 2000	1.0	*	*	634	8	
Other Services	ACT Independent Sector Teachers Agreement 2000	1.6	5.5	3.5	611		
	ADI Limited (Sydney Olympics) Enterprise Bargaining Agreement 2000	1.0	*	*	798	8,19	
	AMP/GIO Enterprise Agreement 2000	1.0	5.6	5.6	3000	2,4,5,6,15	
	AWU - Warner Bros Movie World Agreement 2000	1.2	3.5	3.0	779		
	AXA Australia Enterprise Agreement 2000	2.0	8.0	4.0	2507	2,4,5	
	Freedom National Retail Enterprise Agreement 2000	3.0	8.7	2.9	999	24	
	Metropolitan Health Service (ALHMWU) Certified Agreement 1999	2.4	7.8	3.3	2254	3,15	
	MGM Grand Darwin Certified Agreement 2000	2.0	8.0	4.0	509		
	NIB Health Funds Ltd Certified (Non-Union) Agreement 2000 - (Parent Agreement)	2.0	*	*	648	9,12	
	NRMA/FSU Enterprise Agreement 2000	2.5	*	*	4600	4,5,14	
	OPSM Enterprise Agreement 2000	2.0	6.2	3.1	1300	3	
	Priority Care Plus Pty Ltd Agreement 2000	2.5	*	*	595	9,12,18	
	Safeways and Australasian Meat Industry Employees' Union Agreement 2000	2.0	6.0	3.0	1000		
	Star City Enterprise Agreement 2000	2.1	8.0	3.8	3828	3	
	Teachers (Archdiocese) of Canberra and Goulburn - Catholic Diocesan Schools) CA 2000 - 2003	3.2	13.7	4.2	1634	15	
	Woolworths (SA, NT & Broken Hill) Certified Agreement 2000	3.0	9.9	3.3	4700	15	
		Total Large Private Sector Agreements	2.0		3.8	42621	16
	Public Sector Large agreements						
Elec, Gas and Water, Constr, Trans & Stor, Communications	Hydro-Electric Corporation of Tasmania Enterprise Partnership Agreement 2000	3.0	10.5	3.5	528		
	State Rail Authority of New South Wales, Cityrail Train Driver Functional Agreement, 2000	1.7	8.0	4.8	1252		
	State Rail Authority of New South Wales, Cityrail Train Guards Functional Agreement, 2000	1.7	8.0	4.8	1034		
Other Services	ACT Department of Education & Community Services (Teaching Service) CA 2000 - 2003	3.1	11.6	3.7	3050	5	
	Australian Hearing Certified Agreement 2000	1.3	8.0	6.3	872	3	
	Aviation Rescue and Fire Fighting Certified Agreement 2 - 2000	1.0	4.5	4.5	588	5	
	Canberra Institute of Technology (Teaching Component) Certified Agreement 2000-2003	3.0	11.5	3.8	893		
	Griffith University - Academic Staff, Certified Agreement 2000-2003	4.0	12.3	3.1	1283		
	Griffith University General Staff Certified Agreement 2000-2003	4.0	12.3	3.0	1692		
	Murdoch University (General Staff) Enterprise Agreement 2000	2.5	6.6	2.6	1082	3	
	University of New England General Staff Enterprise Agreement 2000/2003	3.4	10.0	3.0	1170	1	
	University of Newcastle (Academic Staff) Enterprise Agreement 2000, The	3.0	12.1	4.0	802		
	University of Queensland Enterprise Agreement (Academic Staff) 2000	2.7	10.5	3.8	3762		
	University of Technology, Sydney Enterprise Agreement (Support Staff) 2000	3.0	12.5	4.2	1256	3	
Women's and Children's Health Care Network (Health and Allied Services) EA 1999	2.9	9.0	3.1	1156			
Public Administration and Defence	Agriculture, Fisheries and Forestry - Australia (AFFA) Certified Agreement 2000 to 2003	3.0	10.0	3.3	2157		
	ATO (Executive Level 2) Agreement 2000	1.2	8.0	6.6	933	3,5,13	
	ATO (General Employees) Agreement 2000	1.2	8.0	6.6	17691	3,5,13	
	Australian Trade Commission Certified Agreement 2000 - 2003, The	2.9	11.0	3.8	700	3,4,5,10	
	Child Support Agency (General Employees) Agreement 2000	2.0	10.0	5.0	2875	3,5	
	Defence Employees Certified Agreement 2000 - 2001	1.7	7.5	4.4	16290	3	
	Environment Australia (Department of the Environment and Heritage) CA 2000-2002	1.9	8.0	4.2	1304	12	
	IP Australian Certified Agreement 2000 - 2002	2.1	10.0	4.8	780	3,13	
	Justice and Community Safety Officers Certified Agreement 2000-2003	3.2	6.5	2.0	598		
	Logan City Council Enterprise Bargaining Agreement No.4 - 2000	3.0	8.4	2.8	770		
	People, Performance and Business Success - AGS Agreement on Employment Conditions 2000	2.0	7.5	3.7	670	5,7	
	Rockhampton City Council Enterprise Bargaining Agreement Federal 1999	2.0	4.8	2.4	583	18	
	Sydney Opera House Enterprise Development Agreement 2000	2.7	8.0	3.0	600	15	
	Urban Services, Environment Act Enterprise Bargaining Agreement 1999-2002	3.2	6.0	1.9	3086		
	Total Large Public Sector Agreements	2.1		4.6	69457	16	
	Total Large Agreements	2.1		4.4	112078	16	

Source: Workplace Agreements Database, DEWRSB

- Notes:
1. Part or all of the wage increase is awarded on meeting defined targets
 2. Individual performance assessed and remunerated
 3. One-off bonus
 4. Performance pay 'pool' in place
 5. Additional performance pay available
 6. Parties to review the effect of CPI
 7. Employees will receive a part of any profits made during the agreement
 8. Conditions only agreement - No wage provisions eg. Redundancy agreement or Teacher's transfer agreement
 9. Extra Wage increases if CPI is greater than Wage increases
 10. Wage increases can be adjusted upwards if firms productivity high
 11. Incentive based pay available as choice for employees
 12. CPI passed on in part or in full
 13. Renegotiation lag - significant period where employees in between agreements
 14. Future wage increases to be modified after consultation with FSU and NRMA. First Year AAWI - 4 Non quantifiable.
 15. Pay increases vary across classification structure. Level with the greatest number of emps measured for wage increases.
 16. Duration and AAWI are weighted by quantifiable emps. Total employee nos. include all large agr'ts (inc non-quantifiable agr'ts)
 17. Salaries adjusted annually no later than 1 March in line with the ALCOA Salary Administration programme
 18. Safety Net increases passed on
 19. Framework agreement - Wage increases included in another agreement

very large agreements cover 52 500 employees and nearly all award AAWIs of between 4.0 and 4.5 per cent. A further 29 100 employees in this division are covered by very large agreements expiring in the March quarter 2001.

In the Manufacturing division five very large agreements expire on the 30 June 2001 and 1 July 2001 - the key dates for Campaign 2001. These agreements cover an estimated 7 700 employees with the majority of employees receiving AAWIs of 4 per cent.

In the Retail Trade division five agreements covering 16 200 employees expire in the December 2000 quarter while in the June quarter 2001 four agreements that together cover 69 100 employees are due to expire. The agreements expiring in the June quarter provide AAWIs of between 3.2 and 3.7 per cent.

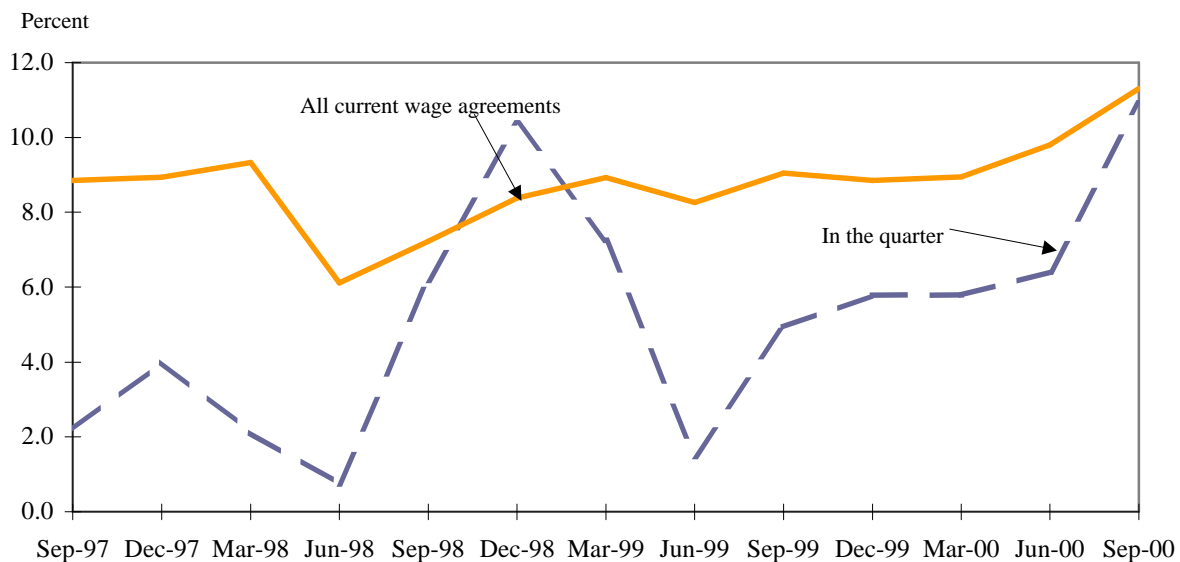
Average annualised wage increases per agreement

Federal wage agreements formalised in the September quarter 2000 paid an AAWI per agreement of 4.3 per cent, up by 0.2 percentage points from the June quarter 2000 figure. Private sector wage agreements paid an AAWI of 3.9 per cent per agreement in the September quarter 2000, while public sector wage agreements paid average annual increases of 4.3 per cent per agreement. As noted in our previous reports, this measure does not provide a very useful indicator of aggregate wage pressures as it assigns equal weight to each enterprise agreement, irrespective of the number of employees it may cover.

Inflation-related clauses in agreements

The WAD contains information on whether federal workplace agreements have clauses which allow for: full indexation of wage increases in line with CPI increases; partial absorption of CPI increases depending on whether the percentage wage increase provided by the agreement is higher than the CPI increase; a specific GST formula or the effects of net CPI; or the re-opening of wage negotiations where CPI increases are higher than anticipated. The historical application of these CPI related wage clauses in certified agreements, is indicated in Chart 1.

Chart 1: Proportion of employees covered by wage agreements with CPI related clauses.



Note: There have been slight revisions to the historical series.

Source: Workplace Agreements Database, DEWRSB.

The proportion of all employees covered by current federal wage agreements, whose agreements include any type of CPI related wage clause, was 11.3 per cent at the end of the September quarter 2000, up 1.5 percentage points from the June quarter. However, only 1.2 per cent of employees covered by current federal wage agreements are covered by agreements that allow for automatic adjustment of wages in line with CPI movements. These employees are the most likely to have wage outcomes effected by the CPI. Most clauses allow for partial absorption of CPI movements or allow only for an agreement to be reviewed in light of CPI movements.

Of all employees covered by wage agreements formalised in the September quarter 2000, 10.9 per cent were covered by an agreement that contained a CPI related wage clause, up from 6.4 per cent in the June quarter. Chart 1 illustrates the often fluctuating nature of this quarterly indicator. Of employees covered by these agreements, around 44 per cent were covered by agreements with re-opening clauses. A further 35 per cent were covered by agreements with partial absorption clauses - which normally leave wage increases unchanged unless CPI increases are greater than the wage increases provided by the agreement.

The number of agreements containing CPI related clauses has risen. 294 agreements certified in the September quarter 2000 contained such clauses. This compares with a total of 162 in the June quarter 2000. However a total of 1980 agreements were certified in the September quarter 2000, over 800 more than in the previous quarter. As a proportion of agreements certified, those with CPI related wage clauses accounted for 14.8 per cent for the September quarter compared to 14.4 per cent for the June quarter 2000.

Although only around 8 per cent of employees covered by federal wage agreements certified so far in 2000 are covered by CPI related wage clauses, such clauses are more common in particular industries. Thus, for agreements certified in the September quarter 2000, 44 per cent of the agreements containing CPI clauses (covering 9 per cent of all employees covered by such clauses in the quarter) were from the construction industry, 25 per cent (covering 26 per cent of employees) were from transport and storage and 17 per cent (covering 22 per cent of employees) were from manufacturing.

WAGE TRENDS BY SECTOR

Private sector wage trends

At least 1 767 federal private sector wage agreements, covering an estimated 94 100 employees, were certified by the AIRC in the September quarter 2000. This represents an increase of around 77 per cent and an increase in employees covered of 51 per cent when compared to the June quarter 2000. On average, private sector agreements certified in the September quarter 2000 paid an annualised wage increase of 3.9 per cent per employee, up 0.1 percentage points from the June quarter 2000.

The slight rise in the private sector AAWI was influenced by the AMP/GIO agreement, which provided an AAWI of 5.6 per cent to 3000 employees. This complex agreement provides 4 per cent and \$15 per week to staff formerly employed by the GIO while providing 4 per cent salary pool to staff formerly under AMP agreements. In addition, a range of difficult to quantify performance and commission based benefits are provided depending on individual job classifications. In the event that CPI increases (on a December to December basis) are viewed by either party as 'significant' then the agreement allows for discussions to be entered into about further wage increases.

Other agreements approved in the quarter were the Teachers (Archdiocese) of Canberra and Goulburn agreement, the AXA agreement, the Gordon and Gotch agreement and the MGM Grand Darwin agreement. The Teachers (Archdiocese) of Canberra and Goulburn agreement provides for a total wage increase of 13.69 per cent for the 3.23 year term of the agreement - an AAWI of 4.2 per cent to an estimated 1600 employees. While the MGM Grand agreement, the Gordon and Gotch agreement and the AXA agreement provided AAWIs of 4 per cent each.

In addition to the several large agreements mentioned previously, the Star City agreement provided for an AAWI of 3.8 per cent to an estimated 3 800 employees while the Woolworth's agreement granted an estimated 4 700 employees an AAWI of 3.3 per cent.

The AAWI for all private sector agreements current at 30 September 2000 was 3.7 per cent per employee unchanged from the revised June quarter 2000 result.

Public sector wage trends

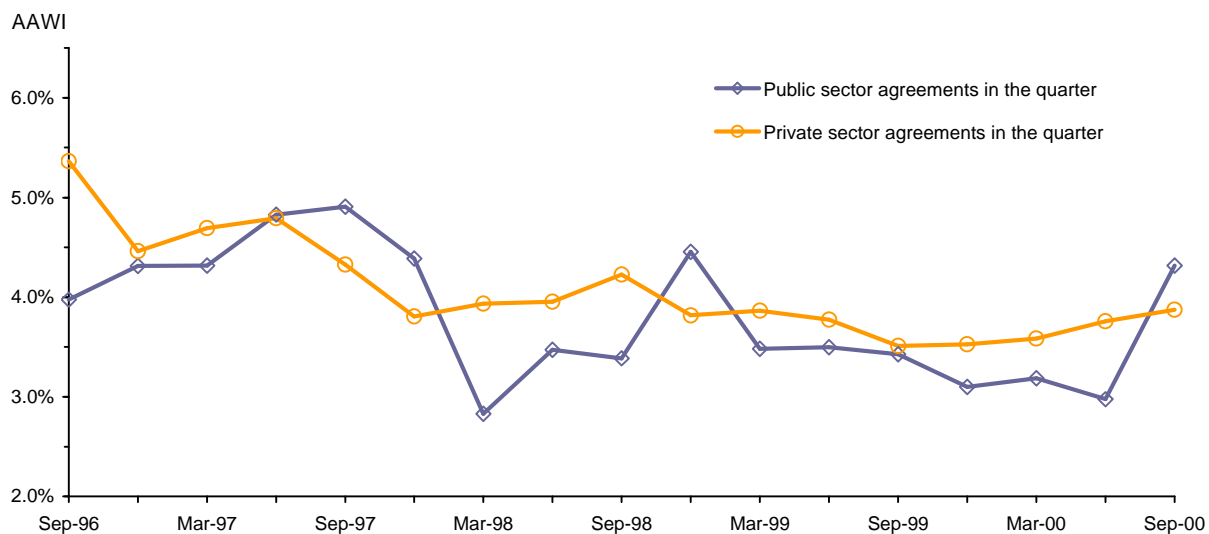
In the September quarter 2000, there were 213 federal public sector wage agreements, covering an estimated 87 200 employees, formalised by the AIRC. These agreements allowed for an average annualised wage increase of 4.3 per cent per employee, up from the previous quarter's revised result of 3.0 per cent. This is partly attributable to the ATO (General Employees) agreement (mentioned above) which covered an estimated 17 700 employees and granted an AAWI of 6.6 per cent, and the Defence Employees agreement (mentioned above), which granted an AAWI of 4.4 per cent to an estimated 16 300 employees. Other significant agreements certified in the quarter were the Australian Hearing Services agreement with a 6.3 per cent AAWI covering 900 employees and the Child Support Agency agreement, which provided for a 5.0 per cent AAWI for 2 900 employees.

In addition, there were three other large agreements certified in the September quarter 2000: the University of Queensland agreement provided for an AAWI of 3.8 per cent for its 3 800 employees; the Canberra Hospital Nursing Staff agreement provided for two fixed wage increases of three per cent and one of four per cent over a three year duration, while the Urban Services, Environment Act agreement provides for three increases of two per cent over a 3.2 year period.

As can be seen from Table 1, there is a substantial difference between the AAWIs for the public sector large agreements at 4.6 per cent and the private sector large agreements at 3.8 per cent, which have flowed through to the total AAWIs for the private and public sector quarterly results.

For all federal public sector wage agreements current at 30 September 2000, the AAWI per employee was 3.6 per cent, up 0.2 percentage points from the revised previous quarter figure.

Chart 2: Quarterly federal wage trends, by sector



Source: Workplace Agreements Database, DEWRSB

WAGE TRENDS IN KEY INDUSTRIES

Table A (see final page) shows quarterly movements in average annualised wage outcomes for the five main industry groups since the September quarter 1997.

As can be seen from Table A, the AAWIs per employee in each of the five industry groups produced various results when compared with the previous quarter's results. Government administration recorded the largest movement this quarter with the AAWI rising 1.1 percentage points. The other services industry and metals manufacturing industry both increased 0.4 percentage points, the non-metals manufacturing rose 0.3 percentage points while infrastructure services industry fell slightly.

Infrastructure services

Average wage outcomes in this broad industry group in the September quarter 2000 measured 4.2 per cent per employee, down from 4.3 per cent in the June quarter 2000. The number of wage agreements formalised in the quarter more than doubled, as did employee coverage. The September quarter 2000 saw 1 178 wage agreements certified covering an estimated 28 600 employees, while in the June quarter 2000, 533 (r) wage agreements were certified covering an estimated 13 100 (r) employees. In the June quarter 2000 there were two large agreements covering an estimated 1 200 employees, while in the September quarter 2000 there have been 10 large agreements covering an estimated 13 400 employees. The transport and storage industry experienced a large increase in the number of employees covered by agreements this quarter, mainly due to four Ansett Agreements that formed functional appendices to primary Ansett agreements and covered 8 300 employees. This would explain to some degree the large growth in the number of employees in this industry.

Wage outcomes within the industry group ranged from: 3.7 per cent for transport and storage (down from the 4.1 per cent AAWI (r) recorded in the previous quarter); no change for electricity, gas and water supply at 4.2 per cent; 4.8 per cent for construction (up from 4.3 per cent the previous quarter); and a 3.5 per cent AAWI for communications service industry (down from 4.1 per cent (r) in the previous quarter).

Government administration

The AAWI per employee in government administration rose to 4.7 per cent for the September quarter 2000, from the June quarter 2000 result of 3.6 per cent. The higher result was assisted by two large agreements - the ATO agreement and the Defence agreement, both of which provided for wage increases above the quarterly average for the total public sector (see Table 1). The number of wage agreements formalised in this industry rose from 60 in the June quarter 2000 to 103 in the September quarter 2000 and the number of employees covered rose to an estimated 58 000.

Other services

In other services, the AAWI per employee rose from 3.1 per cent in the June quarter to 3.5 per cent in the September quarter 2000. Within this industry group the major AAWI movements were in the cultural and recreational services and the education industries, which recorded increases of 1.1 percentage points and 0.9 percentage points respectively in the September quarter 2000. The number of wage agreements formalised in this broad industry group increased from 231 agreements (r) in the June quarter 2000 to 274 agreements in the September quarter 2000, while employees covered increased from an estimated 60 600 (r) in the June quarter 2000 to 67 000 in the September quarter 2000.

Metals manufacturing

The number of wage agreements formalised in this industry group increased from 129 agreements (r), covering an estimated 8 100 employees in the June quarter 2000, to 181 agreements, covering an estimated 11 900 employees in the September quarter 2000. The metals manufacturing wage agreements formalised in the September quarter 2000 paid an AAWI of 4.1 per cent per employee, up from the June quarter 2000 AAWI of 3.7 per cent per employee.

Non-metals manufacturing

The non-metals manufacturing wage agreements for the September quarter 2000 paid an AAWI of 3.7 per cent per employee, up from the June quarter 2000 AAWI of 3.4 per cent (r). The number of wage agreements formalised in the quarter rose from 149 in the June quarter 2000 to 212 in the September quarter 2000, with a increase in employee coverage from an estimated 11 600 employees (r) to an estimated 13 700 employees.

AGREEMENT MAKING UNDER SECTION 170LK OF THE WORKPLACE RELATIONS ACT 1996

Introduction

The *Workplace Relations Act 1996* (WR Act) provides employers and employees with greater choice in the instruments used to define the terms and conditions of work at the enterprise level. Formalised agreement making is one of the alternatives available to employers and employees wishing to establish a framework of conditions that reflect the specific requirements of their workplace. The WR Act provides a number of options for formalised agreement making: collective agreements can be made as a prevention or settlement of an industrial dispute under Division 3 of the Act; in enterprises that are constitutional corporations or the Commonwealth, collective agreements can be made under Division 2 of the Act; and individual agreement making can occur between an employer and an employee in the form of Australian Workplace Agreements.

Under Division 2 of the WR Act eligible organisations can make agreements in accordance with section 170LJ, 170LK or 170LL. Section 170LJ provides for agreement making between employers and organisations representing employees in the workplace; section 170LK provides for agreement making directly between an employer and their employees; and 170LL provides for agreement making in new businesses that do not as yet have any employees. Agreements made directly with employees as provided for under section 170LK, are a new option introduced with the passing of the WR Act in 1996 and it is this form of agreement making that the following analysis focuses on. The article examines the spread and coverage of agreements made under section 170LK both generally and on an industry basis. It also

considers the wage outcomes and selected conditions available to employees covered by these agreements in relation to agreements made under 170LJ of the WR Act.

The following analysis builds on information published in a recent report compiled by the Department of Employment Workplace Relations and Small Business (DEWRSB) and the Office of the Employment Advocate, Agreement Making in Australia under the Workplace Relations Act - 1998 and 1999.¹

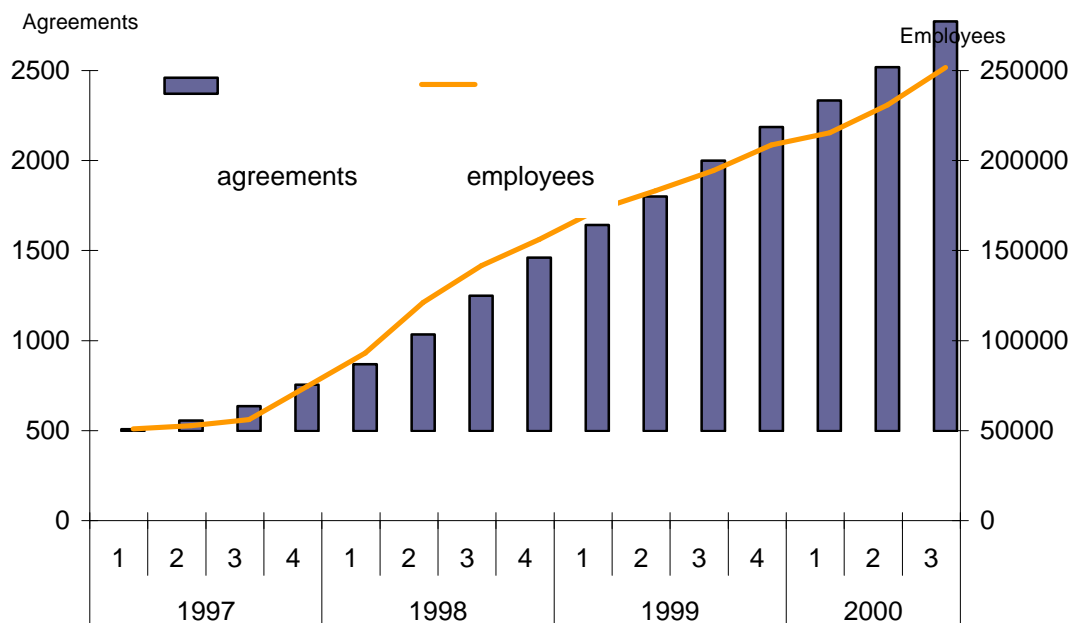
1. Spread and Coverage of section 170LK Wage Agreements

Between 1 January 1997 and 30 September 2000, 21 818 federal wage agreements have been certified under the WR Act by the Australian Industrial Relations Commission. These agreements contain the wages and conditions of employment for approximately 2 533 900 employees.² Of these agreements, 2 276 or around 10 per cent of the total, have been certified under section 170LK. Employee coverage by section 170LK agreements during this period has been approximately 202 100 employees (or 8 per cent of all employees covered by federal wage agreements certified under the WR Act).

In 1997, a total of 4 803 federal wage agreements were certified covering approximately 637 600 employees. Of these agreements 258 (5 per cent) were certified under section 170LK and covered approximately 24 800 employees (4 per cent). Since then the use of these agreements has been spreading. In 1998, 1999 and the nine months to 30 September 2000, section 170LK agreements have represented 10 per cent, 12 per cent and 13 per cent of all agreements certified, respectively. In terms of employee coverage, the proportion had increased from 4 per cent to 9 per cent in 1998 and, although there was a drop to 8 per cent in 1999 it rose to 11 per cent in the nine months to September 2000.

The majority of section 170LK agreements cover small or medium sized enterprises.³ For the period 1 January 1997 to 30 September 2000, the average number of employees under section 170LK agreements was 89 compared to 116 for all wage agreements certified in this period.

Chart 3: Cumulative growth in the certification of section 170LK agreements* certified between 1 January 1997 and 30 September 2000



SOURCE: Workplace Agreements Database.

* Includes all agreements made under section 170LK that include wage provisions.

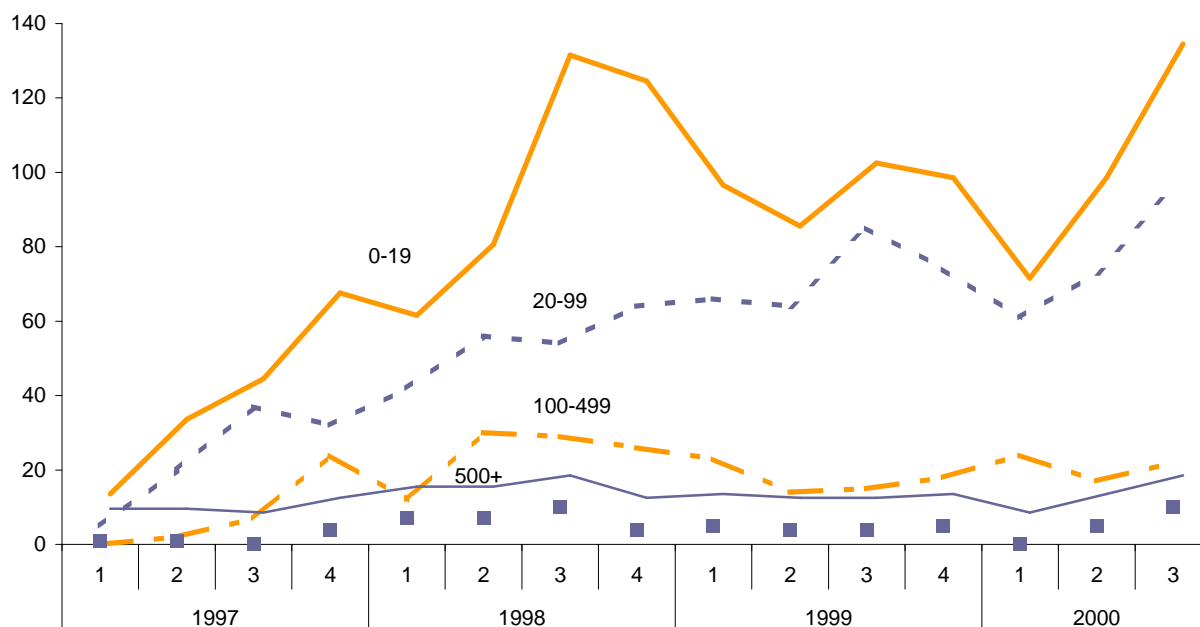
¹ Department of Employment Workplace Relations and Small Business (DEWRSB) and the Office of the Employment Advocate (OEA), Agreement Making in Australia under the Workplace Relations Act - 1998 and 1999, DEWRSB, Canberra, 2000.

² Information on the number of employees covered by agreements recorded on the WAD is provided by the Australian Industrial Relations Commission.

³ Less than three per cent of section 170LK agreements cover workplaces with more than 500 employees.

Chart 3 indicates that there has been continuous strong growth in agreement making under section 170LK since it was introduced when the WR Act came into effect on 1 January 1997. The growth in employees covered by LK agreements has moderated over the past year suggesting that the agreements that are being made cover, on average, smaller numbers of employees. Chart 4 provides additional insight into this trend.

Chart 4: Number of employees per 170LK agreement* certified from the 1 January 1997 to 30 September 2000



SOURCE: Workplace Agreements Database.

* Includes all agreements made under section 170LK that include wage provisions.

As shown in Chart 4, it is in enterprises with less than 100 employees that growth in agreement making under section 170LK has been concentrated. This is particularly true of enterprises with less than 20 employees. The number of large agreements (with 500 or more employees) made under section 170LK has remained relatively modest and constant over the period. Enterprises with 100-499 employees exhibit a similar pattern of growth albeit with higher numbers of section 170LK agreements.

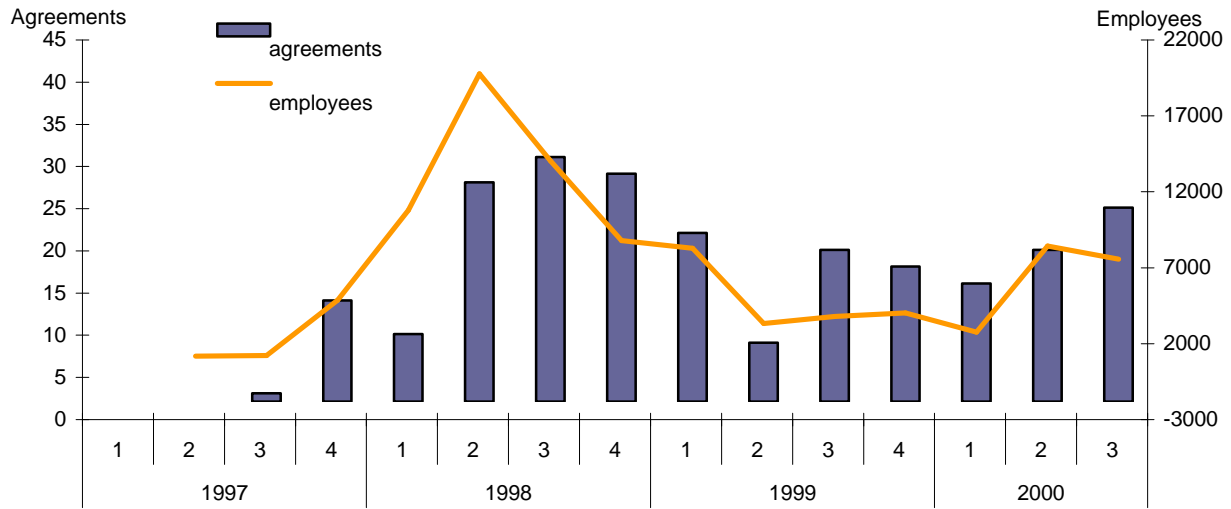
Chart 4 also clearly shows that there is seasonal variation in agreement making. This is particularly evident in smaller enterprises during the first quarter of each year where there is a marked downturn in the number of agreements certified. At this time of the year many small enterprises close down for the Christmas/summer holiday period and there would be a significant lag in developing agreements for certification. Large enterprises are more likely to remain in operation during the peak holiday period and do not exhibit this seasonal variation.

2. The Public / Private Sector Split

Agreement making in the public and the private sector under section 170LK follow similar patterns and provide additional insight into agreement making in the 170LK stream. Since 1997 agreements made under section 170LK are just as likely to be made in the public sector as in the private sector. In the private sector 14 per cent of Division 2 agreements (covering 11 per cent of employees) are made under the provisions of section 170LK compared to 13 per cent of Division 2 agreements (covering 12 per cent of employees) in the public sector.

The public sector became actively engaged in agreement making under section 170LK in the first half of the four year period under consideration. Most agreements are made to cover 2-3 years and recent data suggests that the strong initial growth of 170LK agreements in the public sector will be replicated as these initial agreements are renegotiated.

Chart 5: Growth of certified agreements* made under section 170LK in the public sector from 1 January 1997 to 30 September 2000



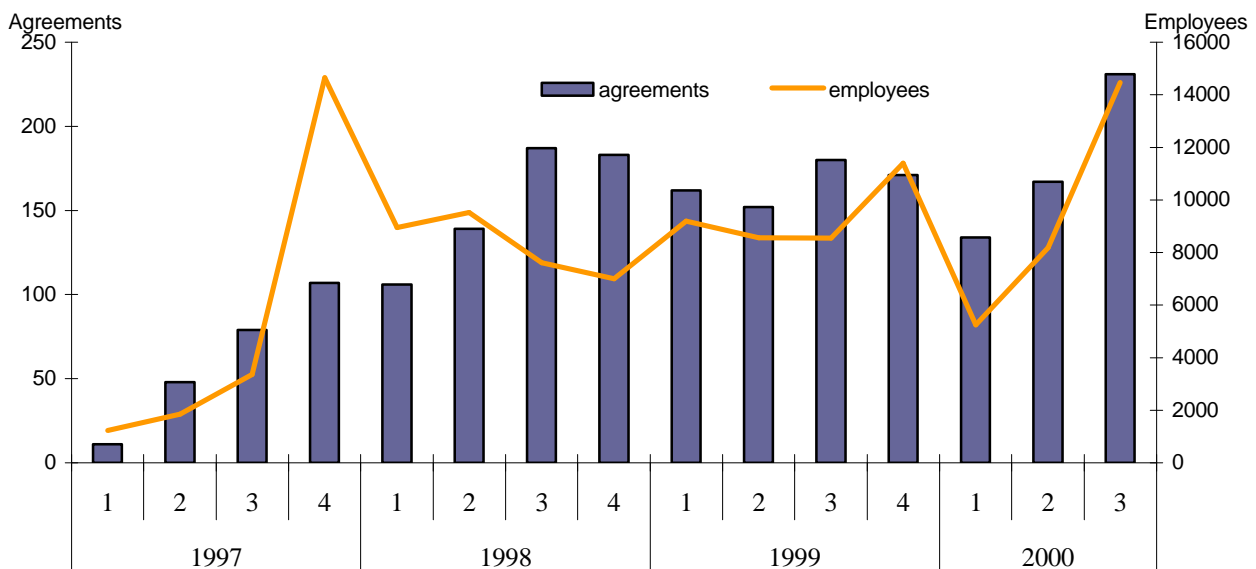
SOURCE: Workplace Agreements Database.

* Includes all agreements made under section 170LK that include wage provisions.

Public sector agreements, on average, cover large numbers of employees and the marked fluctuations in numbers of employees covered (as shown in Chart 5), reflect the movement of relatively small numbers of agreements involving large numbers of employees into the 170LK agreement making stream. For example, during the first quarter 1998, two federal government departments, with 2 100 and 5 400 employees respectively, certified 170LK agreements. This was followed in the second quarter by the certification of a Victorian government agency agreement covering 10 000 employees. Another sharp increase in the number of employees covered occurred in the second quarter of 2000 with two large federal departments certifying 170LK agreements that covered 3 300 employees and 2 000 employees respectively.

Evidence in the public sector indicates that despite these periodic movements of large numbers of employees into the LK stream, agreements certified more recently are also covering employees in small government agencies.

Chart 6: Growth of certified agreements* made under section 170LK in the private sector from 1 January 1997 to 30 September 2000



SOURCE: Workplace Agreements Database.

* Includes all agreements with wage provisions.

Agreement making under section 170LK has been taken up rapidly by some private sector enterprises. Growth in the numbers of 170LK agreements, as well as number of employees covered, has been variable but has picked up considerably in the September quarter 2000; record numbers of 170LK agreements were certified and the number of employees covered reached the high levels observed early in the four year period. In the September quarter 2000, 91 per cent of all 170LK agreements certified were in the private sector, covering 69 per cent of total employees in the 170LK stream.

These data also reinforce the trend of smaller enterprises embarking on agreement making under section 170LK. The sharp rise in the number of employees covered by LK agreements in the final quarters of 1997 and 1999 was due to the certification of large agreements adding 8 400 and 4 500 respectively to the employee tally.

3. Industry Analysis

Table 2 below shows the distribution of the different forms of agreement making under section 170LK within industry sectors.⁴

Industries with the highest proportions of section 170LK agreements include: accommodation, cafes and restaurants (49 per cent); retail trade (37 per cent); agriculture, forestry and fishing (36 per cent); property and business services (35 per cent); and finance and insurance (33 per cent). This indicates that section 170LK agreements are generally found in industries comprising smaller enterprises.

Table 2: Proportion of section 170LK agreements, and employees covered from 1 January 1997 to 30 September 2000 by industry

Industry	s170LK agreements	s170LK employees
	%	%
Accommodation, cafes and restaurants	49	16
Agriculture, forestry and fishing	36	29
Communication services	19	6
Construction	4	4
Cultural and recreational services	16	7
Education	25	3
Electricity, gas and water supply	8	9
Finance and insurance	33	11
Government administration and defence	10	16
Health and community services	9	5
Manufacturing	13	6
Mining	8	4
Personal and other services	16	37
Property and business services	35	31
Retail trade	38	2
Transport and storage	11	2
Wholesale trade	14	12
Total	10	8

Note: (1) Figures are a proportion of agreements and employees in each industry group certified under section 170LK of the WR Act.

(2) All percentages have been rounded.

SOURCE: Workplace Agreements Database.

The data in Table 2 also indicate the trend of smaller enterprises making agreements directly with employees under section 170LK. In the accommodation, cafes and restaurants industry 49 per cent of the agreements are 170LK agreements but these cover only 16 per cent of all employees under federal agreements. Similarly, in the retail trade industry although 38 per cent of the agreements are made under section 170LK, these agreements cover only 2 per cent of the employees.

⁴ Agreements are categorised by ANZSIC Division (Australian and New Zealand Standard of Industrial Classification), as defined by the ABS.

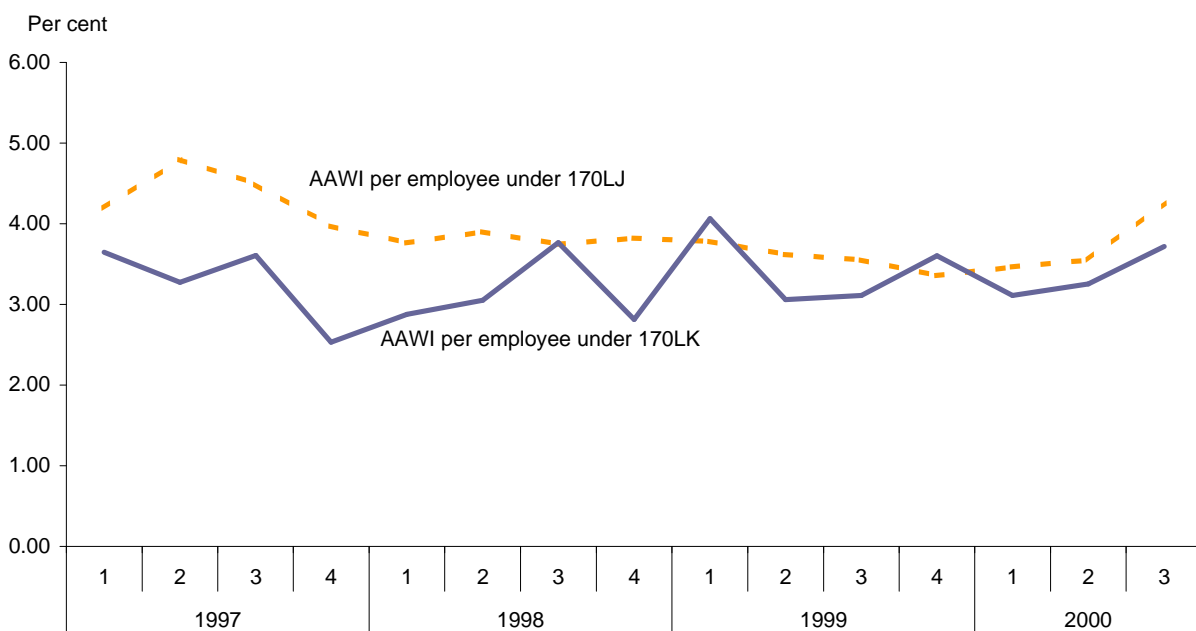
4. Wage Outcomes in Division 2 Agreements

Outcomes under different types of agreements need to have regard to all features of the agreement, including wages and flexibility in conditions.

Chart 7 shows that the gap in wage outcomes as measured by the AAWI per employee, for employees covered by section 170LJ agreements and by section 170LK agreements has narrowed considerably over the period. AAWIs for employees covered by 170LK agreements are particularly volatile, mainly because of the small dataset that excludes some agreements because the specified wage increases are not quantifiable.

In addition, a higher proportion of employees covered by 170LK agreements (30 per cent) are in the government, administration and defence industry sector which, since 1998 has had lower than average AAWIs for new agreements. This has had a negative impact that has eased wage outcomes for 170LK agreements overall.

Chart 7: AAWIs per employee for agreements made under Section 170LJ and 170LK since 1 January 1997*



SOURCE: Workplace Agreements Database.

* Includes all agreements with wage provisions.

The September 2000 edition of the ADAM report⁵ states that, for the first time, 'non-union' agreements delivered higher wage increases than union agreements in the June quarter 2000. The WAD does not show this result, possibly due to methodological differences between the WAD and ADAM based data. The ADAM reports on agreements made under sections 170LK and 170LJ that are current or yet to expire on the final day of each quarter. However, Chart 7, derived from WAD data, graphs those agreements certified in each quarter. More significantly, the ADAM data records the AAWI per agreement whereas data published from the WAD shows AAWI per employee. While the WAD can produce AAWIs per agreement, this methodology means that an agreement with one employee has as much impact on AAWIs as an agreement with, say 70 000 employees. Finally, the WAD reports on every agreement certified in the federal jurisdiction while the ADAM report is based on a sample of agreements and the coverage of that sample is not explained.

⁵ Australian Centre for Industrial Relations Research and Training (ACIRRT), The ADAM Report - Number 26, University of Sydney, September 2000, page 3.

5. Flexibility Provisions on Division 2 Agreements

The benefit of agreement making under the WR Act is that organisations can implement measures to suit the needs of the workplace. Agreements are increasingly incorporating a range of flexibilities, particularly with respect to hours of work and leave.⁶ The Report into Agreement Making in Australia under the Workplace Relations Act 1998 and 1999 found the incidence of provisions in agreements relating to hours-of-work matters is significant, with 84 per cent of all agreements being made in the reporting period containing such provisions.

There is a range of provisions relating to hours that offer employers flexible options for deploying workers and managing their time spent at the workplace. The analysis in the biennial Report has been extended to include: a comparison of flexible provisions in 170LK agreements with those in section 170LJ agreements; a comparison across industries; and additional flexible leave provisions.⁷

Table 3 below illustrates that section 170LK agreements, on a proportional basis, offer a greater range of flexibility than those certified under section 170LJ. In particular they tend to incorporate more flexibility provisions with 45 per cent of LK agreements including three or more such provisions, compared with 31 per cent of LJ agreements.

Table 3: Proportion of Division 2 agreements with flexible provisions certified between 1 January 1997 and 30 September 2000

	s170LK agreements %	s170LJ agreements %
One provision	18	30
Two provisions	16	13
Three provisions	15	13
Four provisions	14	9
Five provisions	16	9
At least one provision	79	74
Total number of agreements	2163	10 857

Note: (1) This table includes agreements with both wage and conditions provisions recorded in the WAD. Some agreements do not contain conditions provisions or are submitted to the AIRC with pages missing. As a result the total of 2 163 section 170LK agreements in Table 3 is less than the total number of wage agreements (2 276) certified between 1 January 1997 and 30 September 2000. Similarly, the total of 10 857 section 170LJ agreements is less than the 12 258 wage agreements the WAD records as having been certified under section 170LJ over the same period.

(2) All percentage figures have been rounded.

SOURCE: Workplace Agreements Database

An examination of the five industries where section 170LK agreements are proportionally most common (ie the agriculture, forestry and fishing; retail trade; property and business services; accommodation, cafes and restaurants; and finance and insurance industries) shows a similar trend. The percentage of section 170LK agreements in these industries, with at least one workplace flexibility provision, is 100 per cent, 93 per cent, 76 per cent, 93 per cent and 91 per cent, respectively. In contrast, the percentage of section 170LJ agreements in these industries, with at least one workplace flexibility provision, is 79 per cent, 85 per cent, 69 per cent, 71 per cent and 80 per cent, respectively. The occurrence of three or more provisions in an agreement is also higher for LK agreements across all of these industries.

Enterprises covered by section 170LK agreements are taking advantage of the flexibility in conditions that are available to employees and employers under the agreement making provisions of the WR Act. This is particularly true in industries where smaller enterprises have taken up 170LK agreements in larger numbers. This reflects the increasing demands on small businesses to have flexible opening hours and a strong commitment to customer needs. Section 170LK agreements provide a choice that is important in developing agreements that meet the particular needs of workplaces, including the needs of employers and employees.

⁶ DEWRSB and the OEA, op cit, page 44.

⁷ These include: flexible access to annual leave; access to annual leave in single days; purchased leave or 48/52 or career break scheme; all-purpose paid sick leave.