

# Trends in enterprise bargaining

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JUNE QUARTER 1999

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## JUNE QUARTER – KEY FIGURES

	March quarter	June quarter	Change
<b>Wage agreements in the quarter</b>			
AAWI per employee - All sectors	3.8%	3.6%	-0.2 pts
AAWI per employee - Private sector	3.9%	3.8%	-0.1 pts
AAWI per employee - Public sector	3.5%	3.5%	0.0 pts
<b>All current wage agreements</b>			
AAWI per employee - All sectors	3.9%	3.8%	-0.1 pts
AAWI per employee - Private sector	4.1%	4.0%	-0.1 pts
AAWI per employee - Public sector	3.7%	3.6%	-0.1 pts

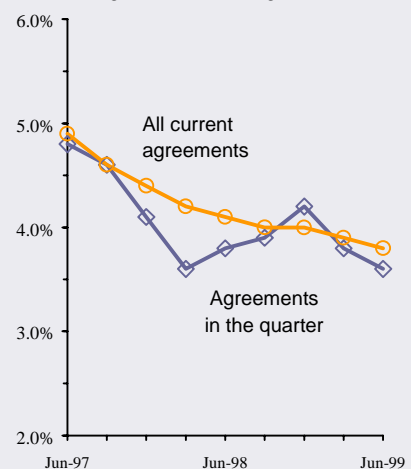
*Note: AAWI = Average Annualised Wage Increase*

## JUNE QUARTER – KEY POINTS

- Federal wage agreements formalised in the June quarter 1999 paid an average annualised wage increase (AAWI) of 3.6% per employee, down from 3.8% for the March quarter 1999.
- The lower wage outcome for agreements certified in the June quarter 1999 was primarily due to a shift in the composition of employees covered by new agreements, from the private to the public sector (for more details see page 1 of the Insert).
- In the private sector, average wage outcomes declined from 3.9% per employee in the March quarter to 3.8% per employee in the June quarter 1999. Outcomes in new agreements in the public sector remained stable at 3.5% per employee.
- All current federal wage agreements, as at 30 June 1999, paid an AAWI of 3.8% per employee, down 0.1 percentage points from the AAWI paid for all federal wage agreements current at 31 March 1999.

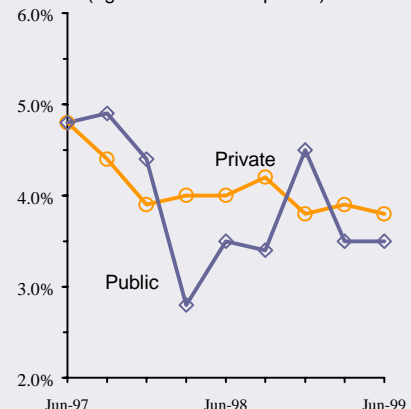
**Chart A: All wage agreements**

Average annualised wage increase



**Chart B: Agreements by sector**

Average annualised wage increase (agreements in the quarter)



### Information

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

Enquiries: Philip Crotty ph: 02 6121 7625 or  
Nicky Neighbour ph: 02 6121 7702.

Next release: The September quarter 1999 *Trends in Enterprise Bargaining* report is scheduled for release in mid November. Subscribers will note that there is a feature article included in this report – "A comparison of agreement making in the public and private sectors". Planned topics for articles to appear in future editions of *Trends in Enterprise Bargaining* include:

- contract of employment provisions in federal collective agreements
- characteristics of section 170LK agreements.

## DEVELOPMENTS IN FEDERAL AGREEMENTS

### Pace of agreement-making

At least 1,420 federal enterprise agreements, covering an estimated 239,000 employees, were formalised by the AIRC and entered on the WAD in the June quarter 1999. This brings the total number of federal agreements formalised by the AIRC from October 1991 to the end of June 1999 to at least 26,420 agreements.

There were 1,362 wage agreements certified in the June quarter, covering an estimated 234,900 employees.

Wage agreements with quantifiable wage increases accounted for 67% of agreements and 90% of employees covered by agreements formalised in the June quarter 1999. (This compares with revised data for the March quarter 1999 when quantifiable wage agreements accounted for 66% of all agreements and covered 74% of employees). Non-quantifiable wage agreements accounted for 29% of all agreements in the June quarter and covered 8% of employees. Four per cent of agreements were conditions only and these covered 2% of employees.

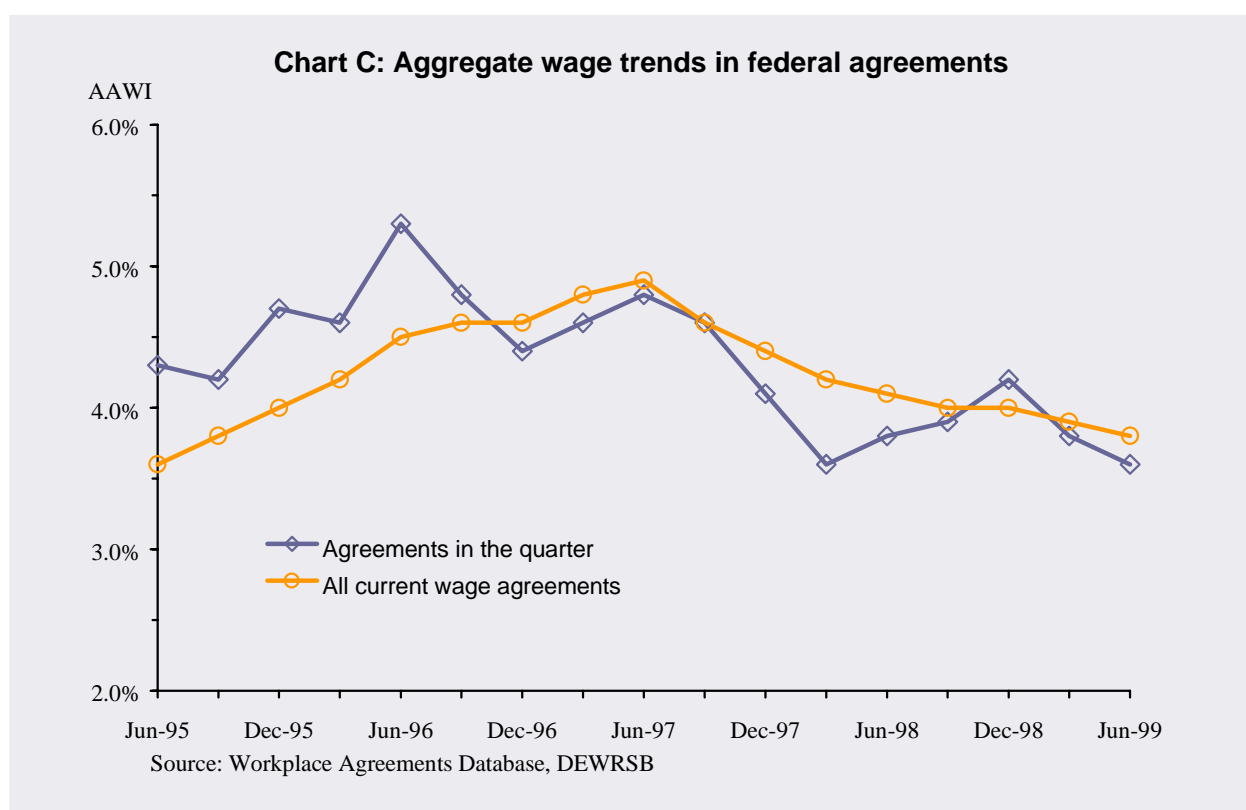
There were at least 11,310 federal wage agreements current at 30 June 1999, covering an estimated 1,484,000 employees.

### Average annualised wage increases per employee

Chart C below compares trends over the past four years in our two key wage measures. These are the 'quarterly' series, 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 'all current' series, which is 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 increase paid by *new* federal agreements, only around 3% of all employees in Australia are covered in the June quarter's figures. By contrast the all current AAWI estimate covers a much larger group — 20% of all employees at the end of June 1999.

For agreements formalised in the June quarter 1999, AAWI was 3.6% per employee, down 0.2 percentage points from 3.8% in the March quarter 1999. For all current federal wage agreements at 30 June 1999, AAWI was 3.8% per employee, down marginally from the previous quarter's outcome of 3.9% per employee. These two series are clearly trending down and have both been under 4.0% per employee through the first half of 1999.



## 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 85% of all new agreements certified in the June 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 1: FEDERAL WAGE AGREEMENTS, BY INDUSTRY AND SECTOR, TO THE JUNE QUARTER 1999**

INDUSTRY/SECTOR	Jun-95	Sep-95	Dec-95	Mar-96	Jun-96	Sep-96	Dec-96	Mar-97	Jun-97	Sep-97	Dec-97	Mar-98	Jun-98	Sep-98	Dec-98	Mar-99	Jun-99
<b>Non-metals manufacturing</b>	157	185	224	191	140	153	228	117	169	199	180	114	165	202	154	139	163
Quarter: AAWI per employee (%)	4.2	4.9	4.4	5.1	4.9	5.0	4.8	4.5	4.8	4.5	4.4	4.6	4.4	3.7	3.9	3.8	4.2
Quarter: Employees ('000)	12.5	15.3	16.8	20.4	16.9	11.9	22.1	11.7	14.6	18.2	13.4	12.0	14.4	18.5	8.9	14.3	11.5
<b>Metals manufacturing</b>	139	149	162	111	174	154	133	92	199	222	152	162	155	272	215	264	192
Quarter: AAWI per employee (%)	4.9	5.1	5.1	5.4	5.3	5.4	5.3	5.0	5.1	4.8	4.9	4.5	4.6	4.4	4.4	4.2	3.7
Quarter: Employees ('000)	17.2	30.4	21.5	8.7	15.8	14.7	15.2	9.1	16.8	25.4	10.9	15.0	15.1	22.5	19.4	17.3	10.9
<b>Infrastructure services</b>	224	245	300	349	328	334	417	465	329	819	543	473	508	1043	1248	808	658
Quarter: AAWI per employee (%)	4.5	5.0	5.2	5.7	4.5	6.2	4.3	6.1	4.8	5.1	5.4	4.6	5.1	4.7	4.1	4.7	3.8
Quarter: Employees ('000)	18.2	14.6	94.6	54.4	51.2	8.7	53.8	12.1	22.1	23.7	50.1	13.7	12.4	36.2	109.4	20.7	74.5
<b>Other services</b>	93	201	174	372	166	228	130	148	152	181	238	232	316	417	417	263	250
Quarter: AAWI per employee (%)	4.2	4.3	4.0	4.0	5.6	4.9	4.3	3.9	4.8	4.4	3.9	3.6	3.8	3.9	3.4	3.3	3.6
Quarter: Employees ('000)	33.0	44.0	67.4	147.8	154.0	109.6	82.2	29.7	66.8	65.6	151.2	67.1	158.2	116.8	77.5	52.9	99.1
<b>Government administration</b>	53	64	60	71	49	92	42	45	72	149	68	79	79	137	82	84	52
Quarter: AAWI per employee (%)	3.7	3.8	4.2	4.9	4.6	4.2	4.2	4.5	4.5	4.0	3.2	2.5	3.2	3.3	5.8	3.8	3.1
Quarter: Employees ('000)	159.0	152.1	12.8	17.2	25.9	22.6	3.9	8.3	13.9	9.4	44.7	23.1	32.5	48.9	38.8	18.6	36.9
<b>PUBLIC SECTOR</b>	82	213	155	289	123	164	79	73	121	186	149	145	138	263	289	161	139
Quarter: AAWI per employee (%)	3.4	3.9	4.9	4.4	4.2	3.9	4.3	4.4	4.8	4.9	4.4	2.8	3.5	3.4	4.5	3.5	3.5
Quarter: Employees ('000)	175.9	190.9	113.5	170.9	106.5	56.7	12.4	18.3	59.1	40.0	110.4	39.4	88.1	93.6	136.8	31.4	146.5
All current: AAWI per employee (%)	3.4	3.6	3.9	4.2	4.3	4.3	4.4	4.7	4.9	4.9	4.7	4.3	4.2	3.8	3.9	3.7	3.6
All current: Employees ('000)	622.4	366.6	444.6	559.4	598.4	583.7	558.6	354.4	383.5	339.1	356.7	343.1	372.5	416.3	473.9	464.6	576.4
<b>PRIVATE SECTOR</b>	593	646	782	835	767	833	899	810	829	1444	1067	944	1124	1857	1878	1430	1223
Quarter: AAWI per employee (%)	4.7	4.9	4.6	5.1	6.0	5.3	4.4	4.6	4.8	4.4	3.9	4.0	4.0	4.2	3.8	3.9	3.8
Quarter: Employees ('000)	64.5	67.0	104.1	80.5	161.1	118.2	167.9	53.7	77.3	106.4	163.4	93.7	146.9	152.5	120.8	94.3	88.4
All current: AAWI per employee (%)	3.9	4.0	4.2	4.2	4.7	4.8	4.8	4.8	4.9	4.5	4.3	4.2	4.1	4.2	4.1	4.1	4.0
All current: Employees ('000)	503.7	499.4	528.5	481.6	598.8	642.0	762.7	701.4	728.6	672.1	756.9	738.2	809.6	769.8	847.0	874.0	907.7
<b>ALL INDUSTRIES</b>	675	859	937	1124	890	997	978	883	950	1630	1216	1089	1262	2120	2167	1591	1362
Quarter: AAWI per employee (%)	4.3	4.2	4.7	4.6	5.3	4.8	4.4	4.6	4.8	4.6	4.1	3.6	3.8	3.9	4.2	3.8	3.6
Quarter: Employees ('000)	240.4	257.9	217.6	251.3	267.6	174.8	180.3	72.0	136.4	146.4	273.8	133.1	235.1	246.1	257.6	125.7	234.9
All current: AAWI per employee (%)	3.6	3.8	4.0	4.2	4.5	4.6	4.6	4.8	4.9	4.6	4.4	4.2	4.1	4.0	4.0	3.9	3.8
All current: Employees ('000)	1126.1	866.0	973.1	1041.0	1197.2	1225.7	1321.2	1055.8	1112.1	1011.1	1113.6	1081.3	1182.1	1186.1	1320.9	1338.6	1484.0

**Notes:** 1. 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.

2. 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 (Government administration 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, 25 August 1999. All estimates are rounded and are subject to revision. Revisions have been made to historical series.

# Trends in enterprise bargaining



**INSERT**

JUNE QUARTER 1999

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This insert for *Trends in Enterprise Bargaining* looks at, amongst other things, the effect of major agreements on wages and outcomes by sector and by industry group. In this edition, we also present a feature article which investigates the differences and similarities between public and private sector federal collective agreements.

## Average annualised wage increases per employee

As previously mentioned, federal wage agreements formalised in the June quarter 1999 paid an average annualised wage increase (AAWI) of 3.6% per employee, down from 3.8% in the March quarter 1999. A much higher proportion (compared to the March quarter) of employees covered by wage agreements certified in the June quarter were in the public sector. In the March quarter 1999, employees covered by public sector wage agreements constituted 25% of all employees covered by wage agreements certified in the quarter. This proportion had increased significantly in the June quarter to 62% of all employees (49% of all employees were party to just three public sector agreements). This compositional shift, other things being equal, lowered the measured AAWI as new public sector agreements are currently providing lower AAWIs than new private sector agreements.

With wage outcomes in the public sector remaining stable at 3.5% per employee, and the slight fall in the private sector AAWI from 3.9% to 3.8% per employee (a fall of just 0.05 of a percentage point in unrounded terms) having a minimal effect, the change in the ratio of public and private sector employees was the major factor driving the 0.2 percentage point reduction in wage outcomes.

## The effect of major agreements on wage trends

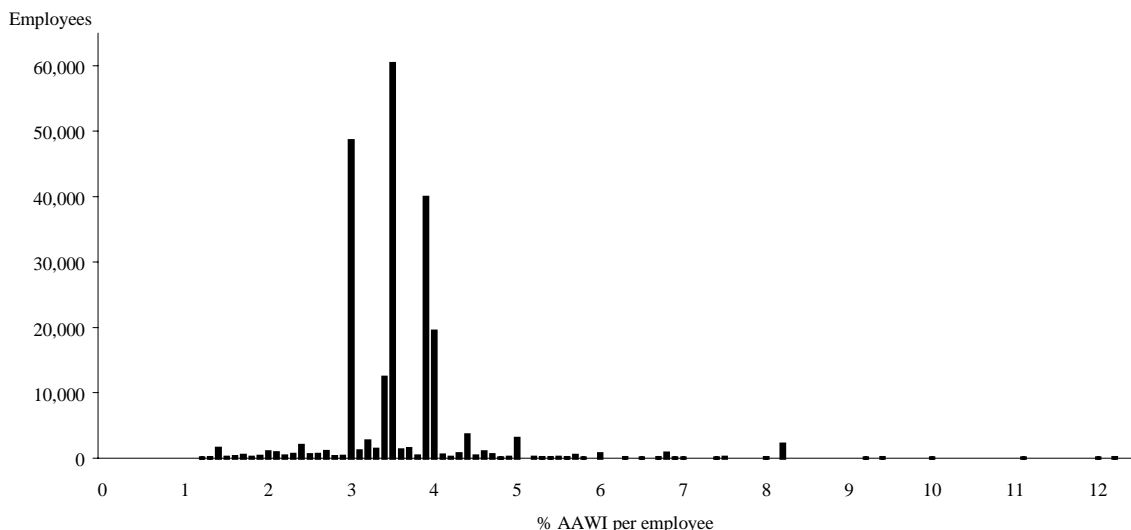
There were 36 large agreements (that is, agreements covering more than 500 employees) approved in the June quarter 1999 compared to a revised 40 large agreements in the previous quarter. These agreements accounted for only 3% of all agreements approved in the June quarter, but 79% of employees. This figure is up from the March quarter when large agreements accounted for 2% of all agreements and 51% of employees. The concentration of employee coverage around a cluster of large agreements is one of the features of the June quarter 1999.

In the private sector, the largest wage agreements in the June quarter were the Ansett Australia agreement, followed by the Victorian Catholic Schools and Catholic Education Offices agreement. These agreements covered an estimated 12,800 and 12,500 employees and paid average annualised increases of 3.0% and 4.0% per employee, respectively. The Bankwest/Trustwest agreement was another large private sector agreement which paid around the average at 3.9% per employee to an estimated 3,200 employees. The majority of the other large quantifiable private sector agreements provided wage outcomes of under 3.5% per employee.

In the public sector, the largest wage agreement certified in the June quarter 1999 was the Queensland Health (No 3) agreement which paid an AAWI of 3.5% per employee to an estimated 55,000 employees. This was followed by the Australia Post agreement, which covered an estimated 35,800 employees and paid an AAWI of 3.9% per employee and the Centrelink agreement which paid a 3.0% AAWI to an estimated 23,200 employees. These very large agreements together provided an average annualised wage increase of 3.5% per employee and accounted for 78% of all public sector employees covered by wage agreements.

Chart 1 below demonstrates the extent of the clustering of wage outcomes in the June quarter 1999, with most of the distribution receiving wage outcomes at between 3.0% and 4.0% per employee and the greatest number being awarded 3.5% per employee.

**Chart 1: Distribution of employees covered by June quarter 1999 wage agreements, by average annualised wage increase**



Source: Workplace Agreements Database, DEWRSB

### Average annualised wage increases per agreement

Federal wage agreements formalised in the June quarter 1999 paid an AAWI *per agreement* of 5.1%, unchanged from the revised figure for the March quarter. Private sector wage agreements paid an AAWI of 5.4% per agreement in the June quarter, while public sector wage agreements paid 3.2% per agreement. As noted in our previous reports, we consider that 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 they may cover.

## WAGE TRENDS BY SECTOR

### Private sector wage trends

At least 1,223 federal private sector wage agreements, covering an estimated 88,400 employees, were formalised by the AIRC in the June quarter 1999. This represents a decline in the number of agreements formalised from the revised March quarter 1999 figure of 1,430 agreements. On average, private sector agreements certified in the June quarter paid an annualised wage increase of 3.8% per employee, down 0.1 percentage points from the March quarter 1999.

There were a broad range of bargaining wage outcomes in the private sector in the June quarter, particularly among the large private sector agreements. In addition to the several large agreements mentioned previously, moderate outcomes were provided by the BHP Coated Steel Australia Western Port agreement which paid an AAWI of 2.4% to an estimated 1,000 employees and the Network TEN Pty Limited Staff agreement which paid an AAWI of 2.4% to an estimated 500 employees. These outcomes were offset by above average wage outcomes in the Davids Retail Stores Victorian agreement, which paid an AAWI of 4.4% per employee to an estimated 2,100 employees, and the Uncle Toby's (Wahgunyah) – National Union of Workers agreement, which paid an AAWI of 6.8% per employee to an estimated 800 employees.

The AAWI for all private sector agreements current at 30 June 1999 was 4.0% per employee, down slightly from the result to 31 March 1999 of 4.1% per employee.

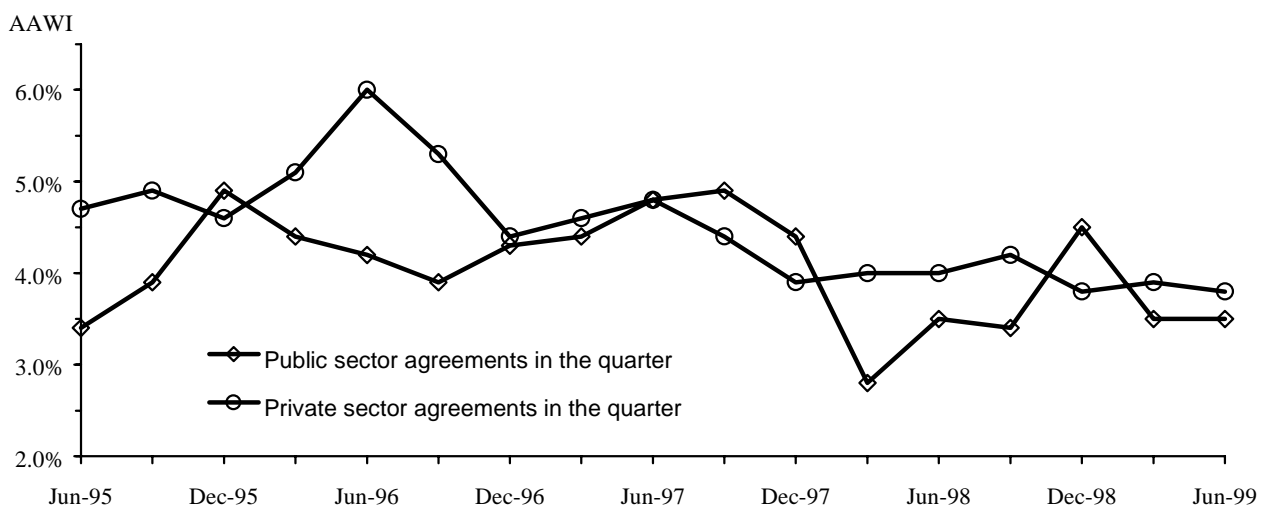
### Public sector wage trends

In the June quarter 1999 there were at least 139 federal public sector wage agreements, covering an estimated 146,500 employees, formalised by the AIRC. These agreements paid an average annualised wage increase of 3.5% per employee, unchanged from the previous quarter. This confirms the trend to relatively moderate wage outcomes for the public sector which, with the exception of the December quarter 1998, have been at or under 3.5% per employee for all of 1998 and the first half of 1999.

As mentioned earlier there were some very large public sector agreements certified this quarter with the public sector accounting for 62% of all employees covered by wage agreements certified in the June quarter. Apart from the three largest public sector agreements previously mentioned, other large public sector agreements certified in the June quarter were the State Rail Authority of NSW agreement and the Rail Services Australia agreement which paid AAWIs of 3.4% and 3.0% to an estimated 8,800 and 5,200 employees, respectively.

For all federal public sector wage agreements current at 30 June 1999, the AAWI per employee was 3.6%, 0.1 percentage points lower than in the previous quarter.

**Chart 2: Quarterly federal wage trends, by sector**



Source: Workplace Agreements Database, DEWRSB

## WAGE TRENDS IN KEY INDUSTRIES

Table 1 (see final page) shows quarterly movements in average annualised wage outcomes for the five main industry groups since the June quarter 1995.

As can be seen from Table 1, the AAWI per employee in infrastructure services fell quite significantly from a relatively high 4.7% in the March quarter 1999 to 3.8% per employee in the June quarter. AAWIs in government administration and metals manufacturing also declined but there were increases in average annualised wage outcomes in the other two broad industry groups.

### Infrastructure services

Average wage outcomes in this broad industry group fell below 4.0% per employee for the first time since 1994. However, as we have noted in previous reports this series tends to be volatile. As noted above, the AAWI in infrastructure services decreased from 4.7% in the March quarter to 3.8% per employee in the June quarter 1999. This can be attributed to the relatively low AAWIs provided by the previously mentioned large agreements for Australia Post, Ansett Australia, the State Rail Authority of New South Wales and Rail Services Australia. The number of wage agreements formalised in the quarter in infrastructure services continued to decrease in the June quarter 1999 while employee coverage increased markedly. The June quarter 1999 saw 658 wage agreements certified covering an estimated 74,500 employees, while in the March quarter 808 wage agreements were certified covering an estimated 20,700 employees.

With the exception of the construction industry, wage increases across the industries comprising this broad industry group appeared to converge slightly compared to previous quarters. Wage outcomes ranged from: 3.2% for transport and storage (up marginally from a revised 3.0% in the previous quarter); 3.4% for electricity, gas and water supply (down significantly from 6.0%); 3.9% in the communications services industry (there were no quantifiable agreements in the March quarter); and 6.4% for construction (up marginally from a revised 6.3% in the March quarter).

### Government administration

The AAWI per employee in government administration continued to decrease from 3.8% in the March quarter to 3.1% per employee in the June quarter 1999. The number of wage agreements formalised in the June quarter 1999 in this industry also fell from 84 in the March quarter to 52 in the June quarter, although the number of employees covered almost doubled from an estimated 18,600 to 36,900. This was mainly due to the previously mentioned Centrelink agreement.

### Other services

In other services, the AAWI per employee increased to 3.6% in the June quarter, up 0.3 percentage points from the March quarter 1999 figure. The increase in AAWI can be partly attributed to the previously mentioned Queensland Health agreement, the Victorian Catholic Schools and Catholic Education Offices agreement and the Bankwest/Trustwest agreement. In addition, the Colonial Group agreement which paid an AAWI of 4.0% to an estimated 3,300 employees and the previously mentioned Davids Retail Stores Victorian agreement helped push up the average for the other services industry group compared to the March quarter result. The number of wage agreements formalised in this broad industry group decreased slightly to 250 from 263 agreements in the March quarter and the employees covered increased from an estimated 52,900 to 99,100 in the June quarter 1999.

### Metals manufacturing

The number of wage agreements formalised in this industry group decreased from 264 agreements, covering an estimated 17,300 employees in the March quarter 1999, to 192 agreements, covering an estimated 10,900 employees in the June quarter 1999. The metals manufacturing wage agreements formalised in the June quarter paid an AAWI of 3.7% per employee, down 0.5 percentage points from the 4.2% outcome in the March quarter 1999. This is the lowest AAWI in metals manufacturing since the first quarter of 1993 and reflects a continuing decline in AAWIs since mid-1998.

### Non-metals manufacturing

The non-metals manufacturing wage agreements for the June quarter 1999 paid an AAWI of 4.2% per employee, up 0.4 percentage points from 3.8% in the March quarter 1999. The number of wage agreements formalised in the quarter increased from 139 in the March quarter to 163 in the June quarter, with a slight fall in employee coverage from an estimated 14,300 employees to 11,500 employees in the June quarter 1999.

## A comparison of agreement-making in the public and private sectors

### Introduction

This article examines the extent of federal agreement coverage in the public and private sectors and looks at recent trends in average annualised wage increases (AAWIs) for the two sectors. It also compares the nature and content of agreements in the two sectors.

### Overview: Agreement coverage in the public and private sectors

As at the end of June 1999, the majority of employees covered by current certified agreements were in the private sector – 61.1%, compared to 38.9% accounted for by the public sector (see Table 1). This is not surprising given the relative size of the two sectors, although the public sector exhibits a higher coverage than size alone would suggest. According to Australian Bureau of Statistics figures,<sup>1</sup> in February 1999 there were approximately 5,999,100 wage and salary earners (80.8% of the total workforce) in the private sector, compared to 1,427,700 wage and salary earners (19.2%) in the public sector.

In June 1999, 15.8% of private sector employees were covered by current federally formalised certified agreements. For public sector employees, the comparable coverage rate was 42.3%.

**Table 1: All current certified agreements, by sector as at 30 June 1999**

	% share of total employees in workforce	Certified agreements	
		% share of employees covered	Number of employees covered
Public	19.2	38.9	603 400
Private	80.8	61.1	945 900
Total	100.0	100.0	1 549 300

Source: Workplace Agreements Database, DEWRSB and ABS: *Wage and Salary Earners* - Cat. No. 6248.0, February 1999

Although a relatively high proportion of *employees covered* by current collective agreements are in the public sector, the sector accounts for only 13.6% of the total *number* of current agreements. By contrast, 10,350 agreements, or 86.4% of current certified agreements are in the private sector. This reflects the fact that many agreements in the public sector cover relatively large numbers of employees. As Table 2 shows, this has been a fairly consistent pattern over the period since the introduction of the Workplace Relations Act (WR Act) at the beginning of 1997.

**Table 2: Agreement and employee coverage by sector - 1997, 1998 and 1999 (January to June)**

	Agreements certified	% of agreements	% of employees covered	Average agreement size (employees)
<b>1997</b>				
Public	758	14.9	40.1	380
Private	4343	85.1	59.9	100
<b>1998</b>				
Public	973	13.8	40.4	380
Private	6063	86.2	59.6	90
<b>1999 (Jan-June)</b>				
Public	341	11.1	48.8	530
Private	2727	88.9	51.2	70

Source: Workplace Agreements Database, DEWRSB

Note: Agreements certified refers to the number of agreements certified during each of the three periods outlined in the Table.

Average agreement size (employees) refers to the average number of employees estimated to be covered by agreements, in each of the sectors.

<sup>1</sup> ABS: Cat. No. 6248.0 and 6203.0, February 1999.

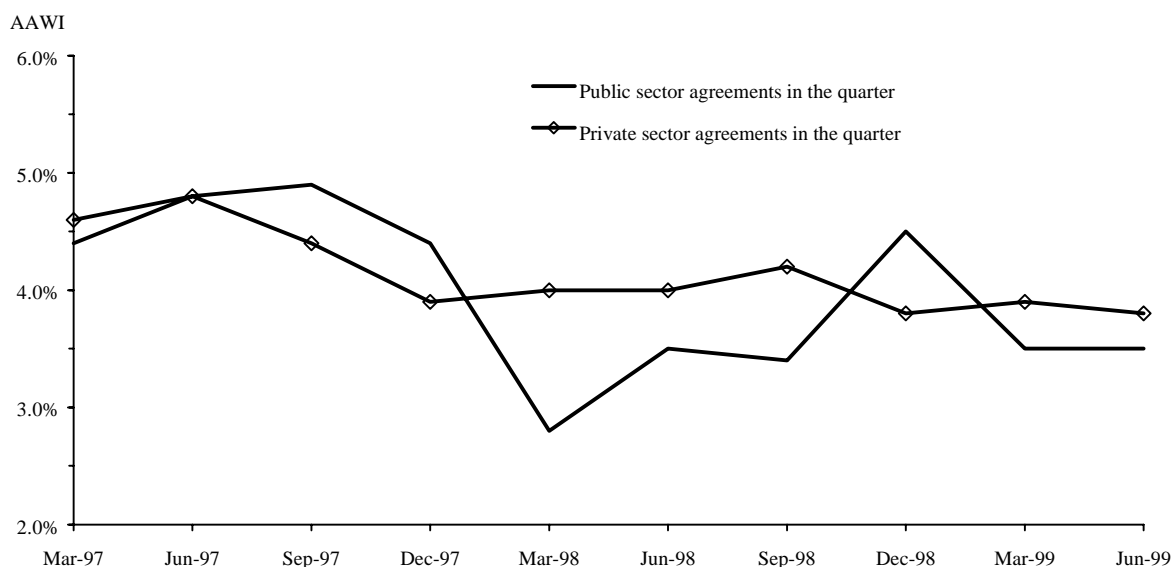
One contributing factor to the high incidence of enterprise bargaining in the public sector is the significant role played by the Australian Public Service (APS).<sup>2</sup> Agreement-making at the agency level became a focus of the Commonwealth Government's Public Service reforms in 1997. A more centralised system of standardised pay and conditions was replaced with arrangements enabling each APS agency to reach agreements on the salaries, classification arrangements and conditions of employment to be offered in the agency.

Over the past three years, virtually all APS agencies have developed agreements within the Government's 'Policy Parameters for Agreement-Making in the APS' (APS Policy Parameters). As at the end of June 1999, there were 98 current APS agreements, covering over 99% of all APS employees.<sup>3</sup>

## Wage developments in the public and private sectors

In the first year following the introduction of the WR Act, agreement-covered employees in the public and private sectors received broadly similar wage outcomes, as Chart 1 shows. However, over the last 18 months, average annualised wage increases (AAWIs) for employees in the private sector have consistently been up to half a percentage point higher than those of public sector employees. As noted in previous reports, the apparent spike in public sector wage outcomes in the December quarter 1998 was primarily the result of special circumstances surrounding one public sector agreement in particular. In the most recent quarter, the private sector AAWI was 3.8% per employee, compared to 3.5% for public sector agreements.

Chart 1: Quarterly wage developments, by sector



Source: Workplace Agreements Database, DEWRSB

## Employment conditions in the two sectors

An examination of the content of certified agreements in the public and private sectors reveals clear differences in the types of employment conditions that are included in agreements. In the public sector, employers and employees are far more likely to utilise the agreement-making process to: facilitate individual agreement-making with workers; increase the flexibility and simplicity of leave and salary arrangements; and provide employees with more flexible and family-friendly working arrangements. The private sector is more likely to use agreements to: encourage multi-skilling in the workplace; retain provisions removed from awards as a result of the award simplification process; and recognise a more active role for trade unions in their workplace relations.

In part, such differences will reflect differing operating environments, workforce characteristics and historical practices between the two sectors. The incidence of key provisions in the two sectors are summarised in Table 3 on the next page.

2. Approximately one-fifth of all public sector employees covered by current agreements are under an APS agreement.

3. Further information on the APS Policy Parameters and agreement-making in the APS can be found on the Australian Government Employment section of the DEWRSB Internet site at [www.dewrsb.gov.au/group\\_wr/](http://www.dewrsb.gov.au/group_wr/)

**Table 3: Agreement and employee coverage for key provisions in the public and private sectors, 1998 and 1999 (January to June)**

		1998				1999 (Jan-Jun)			
		% of Agreements		% of Employees		% of Agreements		% of Employees	
		Public	Private	Public	Private	Public	Private	Public	Private
<b>Nature and scope of agreements</b>	Section 170LK	9.6	11.2	13.2	7.2	7.9	12.5	5.0	11.1
	Comprehensive	7.8	7.6	13.1	6.8	5.0	9.6	5.1	20.1
	Retains provisions removed through award simplification	31.8	46.1	15.2	24.5	34.6	44.2	37.9	15.7
	Provision for AWAs	12.7	1.5	50.7	17.6	9.7	1.5	41.6	2.6
	Exclusion of AWAs	4.1	9.5	2.5	8.4	3.2	13.5	1.5	18.1
<b>Performance/productivity</b>	Performance indicators	18.8	21.5	17.0	12.5	10.6	9.2	26.1	9.5
	Multi-skilling	27.9	47.5	19.9	34.6	22.6	49.5	29.9	41.4
	Benchmarking	20.6	7.7	30.4	10.0	13.2	24.6	7.1	10.9
<b>Flexible work arrangements</b>	Negotiable hours of work	11.0	5.6	24.6	8.2	12.6	8.4	20.3	11.2
	Job sharing	7.7	1.2	25.7	12.5	7.3	1.1	8.8	3.5
	Home based work	8.8	0.4	35.4	3.1	7.9	0.1	21.5	0.0
<b>Flexible salary arrangements</b>	Annualised salaries	6.8	3.7	7.5	5.1	9.1	4.4	5.6	4.9
	Salary packaging	40.3	4.9	39.0	15.8	51.3	7.0	34.5	16.6
<b>Leave entitlements</b>	Cashing out annual leave	7.4	3.7	4.8	4.4	2.3	2.6	0.4	3.4
	Cashing out long service leave	10.0	1.0	3.9	1.3	5.9	5.5	3.7	5.8
	Family/carers leave	31.8	25.0	49.9	55.9	24.6	22.6	31.1	50.9
	All purpose paid leave	7.9	3.8	12.9	4.4	9.7	5.9	18.8	10.7
	Paid maternity leave	36.6	5.4	32.6	16.0	39.6	4.4	27.9	10.3
	Training leave	30.8	27.8	37.9	25.2	32.3	36.2	46.4	38.1
	Purchase extra annual leave	8.7	0.4	16.1	9.4	8.2	0.6	41.3	8.5
	Sick leave insurance scheme	4.5	8.1	3.3	5.5	3.8	22.0	0.7	10.2
<b>Employment opportunity and equity provisions</b>	EEO provisions	14.7	12.9	12.9	28.3	16.1	10.8	51.6	23.1
	Child care provisions	4.2	0.9	5.5	3.6	3.5	0.3	14.9	0.5
	Family responsibilities	10.0	1.3	32.5	12.5	11.1	1.4	2.7	2.6
	Access & equity for people with disabilities	7.3	2.9	30.8	24.5	6.2	2.5	19.0	16.9
	Regular hours for part-timers	11.7	5.3	36.5	24.8	10.6	5.8	21.0	29.9
<b>Redundancy provisions</b>	TCR better than test case	20.0	14.0	32.8	35.2	17.9	20.4	25.9	40.0
	Redundancy scheme	2.9	46.4	1.8	11.6	3.8	48.4	1.6	12.6
	Employment security	22.5	5.5	27.4	14.6	20.8	7.7	56.2	29.0
<b>Trade union matters</b>	Union encouragement	2.2	21.0	1.3	33.0	1.5	19.1	0.6	29.9
	Deduction of dues	6.2	15.9	3.0	30.3	4.4	17.3	21.0	30.3

Source: Workplace Agreements Database, DEWRSB

Note: ‘% of agreements’ represents the proportion of agreements in the respective sectors that contain the listed provisions. ‘% of employees’ represents the proportion of agreement-covered employees (in their respective sectors) who are covered by an agreement that contains the listed provision. These percentages are referred to as the ‘employee coverage rate’ elsewhere in the article. In this section we have confined our analysis to agreements certified during 1998 and the first half of 1999 due to differences in the coding framework prior to 1998. The provisions used in this Table will be explained in more detail in the text that follows.

### **Nature and scope of agreements**

As Table 3 indicates, in 1998, 13.2% of agreement-covered employees in the public sector as against 7.2% in the private sector were covered by agreements certified under section 170LK of the WR Act (that is, an agreement made directly between an employer and their employees compared to agreements reached with unions). For agreements certified in the first half of 1999, 11.1% of private sector agreement-covered employees were under section 170LK agreements, compared to 5.0% in the public sector, effectively reversing the pattern of the previous year when the public sector predominated.

In the APS component of the public sector, however, a high proportion of agreements have been made directly with employees. As at the end of June 1999, 43.8% of all current APS agreements, covering 23.4% of agreement-covered APS employees, were certified under section 170LK of the WR Act. The equivalent figures for the private sector are 10.5% of all current agreements, covering 7.7% of agreement-covered employees in the sector.

A similar pattern has emerged in the incidence of comprehensive agreements (that is, an agreement that displaces all awards and all previous agreements). While only a small proportion of agreement-covered employees in each of the sectors is covered by agreements that are comprehensive, once again, this is not the case for the APS. As at the end of June 1999, approximately 50% of all APS employees covered by current agreements were under comprehensive agreements. This percentage is significantly higher than the equivalent employee coverage figure for all current private sector agreements (approximately 10%).

The inclusion of provisions removed from awards as part of the award simplification process is more prevalent in private sector agreements. In 46.1% of all private sector agreements certified in 1998 (covering 24.5% of agreement-covered employees in the sector), there is a 'general commitment' to include award provisions that may have been removed through the award simplification process. Only 31.8% of public sector agreements certified in 1998 (covering 15.2% of public sector agreement-covered employees) contained such a commitment. This trend continued for agreements certified in the first half of 1999. The APS is partly responsible for the comparatively low incidence of 'general commitments' in public sector agreements, as the inclusion of such a commitment in APS agency agreements was precluded during the APS award simplification process under the 1997 APS Policy Parameters.

Public sector agreements are far more likely to contain a clause that provides for Australian Workplace Agreements (AWAs) and have a far lower incidence of AWAs being excluded by agreements. This can be partly attributed to the APS, where the Policy Parameters stipulate that agreements must contain a clause that provides employers with the option of offering AWAs. As a result, all APS agreements contain a facilitative provision for offering AWAs.

### **Performance/productivity**

Trends in the incidence of performance indicators in agreements (which provide a means of measuring productivity and other forms of employee performance) have been similar in both sectors throughout the course of the past 18 months. For agreements certified in 1998, provisions for 'benchmarking' were more commonly found in public sector agreements, though this trend was reversed for agreements certified in the first half of this year.

Multi-skilling provisions, which generally provide scope for employees to perform tasks not associated with their employment classification, have been more prevalent in private sector agreements. Nearly half of all private sector agreements certified in 1998 and 1999 contained multi-skilling provisions, compared to approximately one-quarter of public sector agreements certified during the same period. The private sector employee coverage rate has also been significantly higher for agreements certified over the past 18 months.

### **Flexible work arrangements**

Provisions aimed at enhancing the flexibility of working arrangements are far more common in public sector agreements. For agreements certified in 1999, 20.3% of public sector employees were covered by an agreement that enabled them to negotiate their ordinary span of hours with their employer. This was almost double the comparable private sector figure (11.2%). Furthermore, public sector agreements have a higher incidence of clauses that refer to job sharing arrangements and home-based work.<sup>4</sup>

### **Flexible salary arrangements**

There is also a higher incidence of flexible salary arrangements for agreement-covered public sector employees. Provision for annualised salaries - where penalty rates, overtime payments and allowances are incorporated into an all-inclusive annualised salary - were more common in public sector agreements certified in both 1998 and 1999. Public sector agreements are also far more likely to provide for salary packaging, where employees are given the option of exchanging part of their salary for non-cash benefits (such as the lease of a motor vehicle or additional superannuation contributions).

### **Leave entitlements**

Public sector employees are more likely to be covered by an agreement providing for paid maternity leave and making provision for leave for training purposes. By contrast, the employee coverage rate for provision of family/carers leave has been higher in the private sector for agreements certified since the beginning of 1998.<sup>5</sup> Private sector agreements are also more likely to provide for an insurance scheme covering absence from work, which is in addition to basic sick leave entitlements.

Public sector agreements have a higher incidence of provisions that enhance the flexibility and reduce the complexity of leave arrangements. As Table 3 indicates, provision for 'cashing out' annual and long service leave, which allow employees to accept part of their leave entitlements as a cash payment, have been more common in public sector

4. References to 'job sharing arrangements' in agreements are generally in the form of a clause that either allows for, or considers the introduction of, working arrangements that enable employees to share a job that would normally be performed by one person. References to 'home-based work' are generally in the form of a clause that either provides for, or considers the introduction of arrangements that allow employees to perform some or all of their work at home during normal working hours.

5. Both 'leave for training purposes' and 'family/carers leave' can be provided for in agreements as either paid or unpaid leave.

agreements certified over the past 18 months. Public sector employees are also more likely to be covered by an agreement which does not differentiate between the various types of sick and personal leave (that is, where sick, bereavement and carer's leave are combined as 'all purpose paid leave'). Similarly, provision for employees to purchase additional annual leave by way of salary sacrifice is far more common in public sector agreements.

The relatively high incidence of these provisions in public sector agreements should have provided agreement-covered employees in the sector with greater capacity to tailor their leave entitlements to better suit their needs.

### ***Employment opportunity and equity provisions***

Private sector agreements certified in 1998 had a higher incidence of clauses that aimed to promote Equal Employment Opportunity (EEO) for women and members of disadvantaged groups. This trend was reversed for agreements certified in the first six months of 1999, where 51.6% of agreement-covered employees in the public sector were under an agreement which included an EEO provision; the comparable rate for the private sector was 23.1%.

Public sector agreements are more likely to provide for employer funded or subsidised childcare arrangements and measures that allow employees to better balance family and work responsibilities. There is also a higher incidence in public sector agreements of provisions for 'regular hours for part-timers', which are clauses that encourage regularity and stability in part-time working hours. Such provisions can be beneficial to part-timers, for example working parents, as they provide them with the predictability in working hours which assists in planning non-work activities.

Access and equity provisions, which recognise the special needs of people with disabilities (for example, supported wages), were also more common in public sector agreements certified in both 1998 and 1999.

### ***Redundancy provisions***

Employment security clauses, which provide for compulsory retrenchments to be minimised or eliminated during the life of the agreement, have been more common in public sector agreements certified during the past 18 months. However, private sector employees are more likely to be covered by an agreement that includes termination, change and redundancy (TCR) provisions that are better than the minimum test case standard (the amount of money and amount of notice that must be given to an employee upon termination or redundancy).

Private sector agreements are far more likely to provide for payments to income protection and redundancy schemes for employees, as almost half of all agreements certified in the sector during 1999 contain such a provision. The high incidence of redundancy and income protection schemes in private sector agreements is being driven by the private sector component of the construction trade services industry,<sup>6</sup> where approximately 85% of all agreements certified over the past 18 months provide for a redundancy scheme. It should be noted that most of these agreements cover a relatively small number of employees, which explains why the private sector employee coverage rate is much lower than the agreement coverage rate for this provision.

### ***Trade union matters***

References to trade unions and trade union business are more commonly found in private sector agreements. As Table 3 shows, 21% of all private sector agreements certified in 1998 (accounting for 33% of agreement-covered private sector employees) contain provisions which encourage trade union membership; the comparable rates for the public sector were 2.2% of agreements accounting for 1.3% of employees. This trend continued for agreements certified in the first half of 1999.

The relatively high incidence of union encouragement provisions in private sector agreements certified in 1998, as measured on an employee weighted basis, was driven by seven agreements in the retail industry covering large numbers of employees, to which the Shop, Distributive and Allied Employees' Association (SDA) is a party. These seven retail industry agreements contained at least one union encouragement clause and covered nearly 80% of retail employees under agreements certified during 1998. This trend continued for agreements certified in 1999, when over 85% of agreement-covered retail employees were under an agreement to which SDA was a party and which contained a union encouragement clause.

6. 'Construction trade services' is a division of the construction industry, according to the Australian and New Zealand Standard Industrial Classification.

In addition to having a lower incidence of union encouragement clauses, public sector agreements are less likely to provide for union dues to be collected at source (that is, to be deducted by the employer from the employee’s salary). Some public sector employers have adopted policies on these matters. For example, the APS Policy Parameters require APS agreements to be consistent with the Commonwealth Government’s freedom of association policy, being neutral on the issue of union membership and avoiding provisions that encourage or discourage union membership.

## Differences between the sectors in the range of conditions in agreements

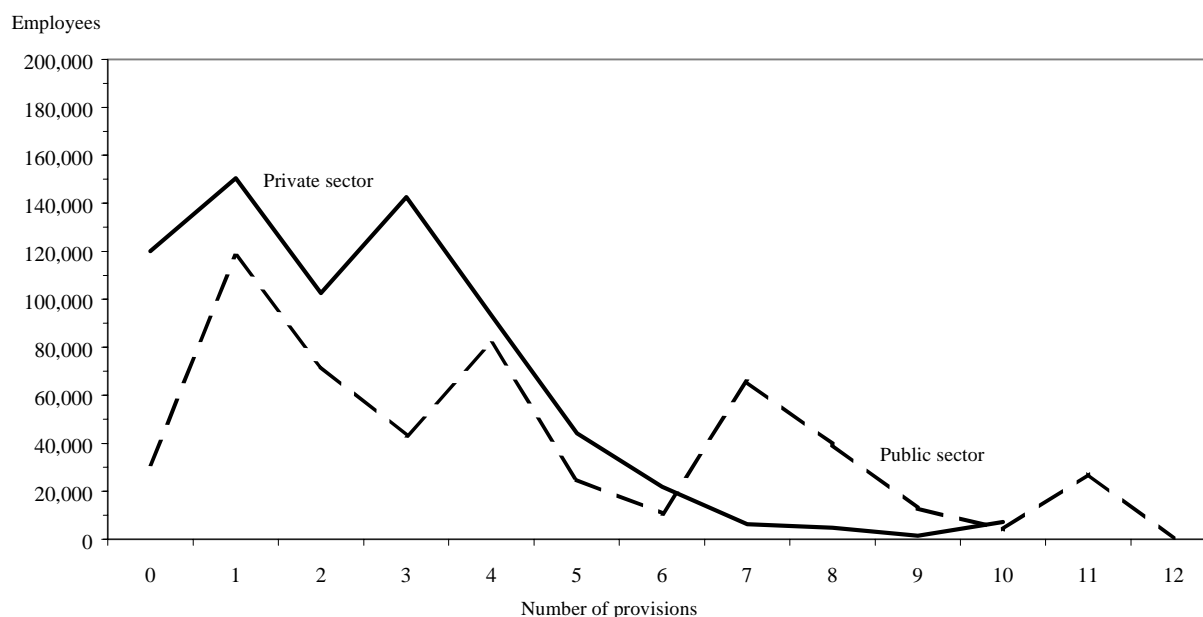
In the previous section we analysed the relative incidence of *specific* conditions in public and private sector agreements, and made the observation that there appeared to be clear differences in the types of provisions included in agreements in the two sectors. These differences are further borne out when considering the overall package of conditions in public and private sector agreements. This section looks at the incidence across the two sectors of agreements with combinations of conditions which appear to provide particularly significant benefits for employees.

We have defined these ‘employee benefits’ as: family/carer’s leave; regular hours for part-time workers; job sharing; home-based work; negotiable hours of work; family responsibility provisions; child care provisions; employment security; sick leave insurance scheme; provision for training leave; paid maternity leave; access and equity for people with disabilities; salary packaging; and the ability to purchase extra annual leave. This list is by no means exhaustive. In addition, it should be noted that the analysis which follows does not comprehend other conditions in these agreements, nor does it tell us how many employees in those workplaces actually benefit from these provisions. Rather, it simply identifies the potential for employees to benefit, although gains from these provisions can flow both ways. In particular, employers can benefit from the provision of such conditions, including through the increased productivity and commitment which they can generate in an enterprise’s workforce.

Bearing these qualifications in mind, Chart 2 below shows that there are quite clear distinctions which can be drawn between public and private sector agreements certified in the last 18 months. Around 90% of private sector agreement-covered employees have access through their agreements to five or fewer of the ‘employee benefits’ analysed, with the highest numbers having one or three of these provisions in their agreements. This compares to the public sector where 90% of the employee distribution is covered by agreements with up to eight provisions. The range of outcomes is also much greater in public sector agreements, with high numbers of employees covered by agreements which include one, four or seven ‘employee benefits’.

It may be that public sector employees place a different value on employee benefits in their agreements than private sector workers, but it may also be affected by differences in the historical provision of various conditions between the sectors.

**Chart 2: Distribution of employees covered by public and private sector wage agreements certified in 1998 and 1999 (January to June), by incidence of ‘employee benefits’**



Source: Workplace Agreements Database, DEWRSB

## Conclusion

A number of conclusions can be drawn about agreement-making in the public and private sectors from the analysis undertaken in this article:

- public sector employees are more likely to be covered by certified agreements than their private sector counterparts;
- after remaining broadly consistent during 1997, over the past 18 months wage increases for private sector agreement-covered employees have been up to half a percentage point higher than the increases achieved by equivalent public sector employees;
- public sector agreements are more likely to provide access to a greater number of ‘employee benefits’ than private sector agreements; and
- there are noticeable differences in the types of conditions included in agreements in each of the sectors, with the public sector leading in the provision of flexible working arrangements. The ‘Policy Parameters for Agreement-Making in the APS’ have been important in shaping these outcomes.

For enquiries regarding this article telephone Oliver Jacques on 02 6121 7395 or Nicky Neighbour on 02 6121 7702.