

Chapter 2: Operation of the new system

Introduction

- 2.1 This chapter provides the Commission with an overview of the characteristics of employees who are reliant on its minimum wage adjustments based on the recently released ABS *Employee Earnings and Hours* (EEH) publication.
- 2.2 The chapter also undertakes a preliminary examination of the Commission's 2006 Minimum Wage Review in relation to employees with a disability.

Pay Scale coverage

- 2.3 The recently released EEH publication provides further information regarding those employees paid according to Pay Scales. The most recent EEH data are for May 2006.
- 2.4 The terminology used in the ABS publication is based on the workplace relations environment prior to the implementation of the WorkChoices amendments to the WR Act. In particular, the survey refers to awards, not Pay Scales. The publication does not differentiate between Pay Scales and state awards but instead refers only to 'awards' – which includes both federal and state awards. To avoid confusion, we will refer to these employees as 'award-reliant' employees even though those employees under the federal system are now employed under Pay Scales.
- 2.5 Overall, the EEH data show that only 19.0 per cent (1,584,942) of non-farm employees were paid the rate specified in an award in May 2006, down from 20.0 per cent in May 2004.
- 2.6 Women were more likely to be award-reliant in May 2006 (23.4 per cent compared with 14.7 per cent for men). Award-reliance is down for both women and men since May 2004 (from 24.4 per cent and 15.7 per cent respectively).
- 2.7 Part-time employees were more likely to be award-reliant (32.8 per cent compared with 11.8 per cent for full-time employees). Award-reliance is

down for both part-time and full-time employees since May 2004 (from 34.3 per cent and 12.6 per cent respectively).

- 2.8 Private sector employees were more likely to be award-reliant (23.1 per cent compared to 2.4 per cent³ for public sector employees). Award-reliance is again down for private sector employees since May 2004 (from 24.7 per cent).
- 2.9 The three industries with the highest concentration of award-reliant employees were Accommodation, cafes and restaurants (57.2 per cent), Retail trade (28.7 per cent) and Health and community services (25.4 per cent) (see Table 2.1). However, the percentage of award-reliant employees employed in these three industries all declined over the two years to May 2006 (from 60.1 per cent, 31.3 per cent and 26.6 per cent respectively).
- 2.10 The three occupations with the highest concentration of award-reliant employees were Community and personal service workers (39.2 per cent), Sales workers (32.4 per cent) and Labourers (29.7 per cent) (see Table 2.2).⁴

³ This estimate has a relative standard error of 25 per cent to 50 per cent and should be used with caution.

⁴ The ABS used a new occupation classification (ANZSCO) for the May 2006 data. Therefore, comparable 2004 data are not available.

Table 2.1: Award-reliant employees by industry, May 2006

Industry	Award-reliant Employees
	Proportion of Total Employees (%)
Mining	2.4
Manufacturing	10.6
Electricity, gas and water supply	0.9
Construction	12.0
Wholesale trade	12.8
Retail trade	28.7
Accommodation, cafes and restaurants	57.2
Transport and storage	12.4
Communication services	0.9
Finance and insurance	5.1
Property and business services	23.2
Government administration and defence	0.6
Education	11.9
Health and community services	25.4
Cultural and recreational services	19.2
Personal and other services	23.4
All Industries	19.0

Source: ABS Employee Earnings and Hours (EEH), May 2006, (Cat. No. 6306.0).

Table 2.2: Award-reliant employees by occupation, May 2006

Occupation	Award-reliant Employees
	Proportion of Total Employees (%)
Managers	2.6
Professionals	6.6
Technicians and trades workers	18.7
Community and personal service workers	39.2
Clerical and administrative workers	13.4
Sales workers	32.4
Machinery operators and drivers	16.3
Labourers	29.7
All Occupations	19.0

Source: ABS Employee Earnings and Hours (EEH), May 2006, (Cat. No. 6306.0).

Impact of the Commission's 2006 decision on wages for employees with a disability

2.11 In announcing its 2007 Minimum Wage Review, the Commission requested submissions on the impact of its 2006 Minimum Wage Review

decision on minimum wage rates affecting employees with a disability. In that decision, the Commission determined:

- a special Pay Scale to fill gaps in Supported Wage System (SWS) coverage in all Pay Scales that did not provide access to the SWS;
- a special Federal Minimum Wage (FMW) for employees with disability that are not covered by a Pay Scale that provides access to the SWS as applied to the standard FMW;
- a special FMW that provides the full FMW for employees with a disability who are able to earn the full minimum wage as the effects of their disability do not impact on their productive capacity; and
- a special Pay Scale that provides pro-rata wages to employees with a disability employed in the business services sector and who are not otherwise covered by preserved Pay Scales.

Impact of the decision on employees under the SWS

2.12 The Disability Employment Services Branch in the Australian Government Department of Employment and Workplace Relations (DEWR) has responsibility for the SWS. The Branch regularly consults with stakeholders in each state and territory about the SWS programme. Feedback received by the Branch indicates that the decision to extend coverage of the SWS has been warmly welcomed by the disability sector. However, given the limited time since the Commission's decision took effect, precise data are not yet available to assess any specific impacts of the decision.

Impact of decision on employees of business services

2.13 The Australian Government Department of Family and Community Services and Indigenous Affairs (FaCSIA) has responsibility for managing the disability employment assistance programme. As at 31 December 2006, 222 disability business services were funded under this programme to support over 17,900 employees with a disability.

2.14 In this role, FaCSIA monitors compliance with the National Disability Services Standards which, in part, requires business services to pay

pro-rata wages determined through a fair and transparent wage assessment tool.

- 2.15 All business services have wage setting mechanisms in place, although 25 business services are using wage assessment tools that are not listed in the new special Pay Scale established by the Commission's 2006 Minimum Wage Review decision. These business services are therefore required to transition to an appropriate wage tool in accordance with the Pay Scale before May 2008 or to have their tool added to the list of tools recognised by the Pay Scale. All these business services are aware of this requirement and many have already started to consider the alternative tools available.
- 2.16 The number of supported employees is trending upwards, indicating that business services are not reducing their workforce because of increased wages.
- 2.17 The Commission's 2006 decision is consistent with the outcome FaCSIA and business services have been working toward since 2004 – the introduction of pro-rata wages determined by a fair and transparent tool. Available data (limited due to the short time since the decision) and general feedback from business services indicate that the new special Pay Scale established by the Commission's 2006 decision for business services has not had any detrimental impact on the sector.

Other aspects of the 2006 Minimum Wage Review decision

- 2.18 In its 2006 Minimum Wage Review decision, the Commission decided not to adjust casual loadings and decided to adjust piece rates, junior rates, apprentice/trainee rates and rates for employees with a disability in accordance with past practice in the award system. The Government sees no reason for the Commission to depart from that approach in its 2007 Minimum Wage Review decision.

Conclusion

- 2.19 The EEH data recently published by the ABS provide an up-to-date picture of the characteristics of minimum wage employees. Importantly, award-reliance continues to decline as more employees engage in workplace bargaining.

2.20 Early indications are that the Commission's 2006 Minimum Wage Review decision in respect of employees with a disability has been well received in that sector. There is no evidence that business services are reducing their workforce because of increased wages.