

## Fact sheet

# *The state of enterprise bargaining in Australia*

**EMBARGO – 12:01am midnight, 19 February 2021**

Enterprise agreements enable business and workers to share success.

They remain the best way to keep people in work and to enable businesses to grow and succeed so they can pay higher wages and employ additional workers

### **But the latest data shows the system is not working:**

- Non-managerial employees on EBAs get paid more (earning an average of \$42 per hour compared to just \$29.40 per hour for those on awards.).
- On average, a worker on an EBA is \$100 better off at the end of a full work day.
- Over 50 per cent of full-time non-managerial workers on EBAs earn over \$1,600 a week compared to around 20 per cent on awards.
- Wage growth for workers on active federally registered EBAs (with quantifiable wage increases) is higher than the economy-wide average – with growth of 2.6 per cent, compared to 1.4 per cent.
- Almost 40 per cent or 4 million workers are on EBAs. Just over 20 per cent or 2.2 million workers were on an award.
- But the number of active enterprise agreements has fallen to the lowest level in more than 22 years.
- The system is now so hamstrung by technicalities and complexities that it is in danger of collapse.
- In part, due to the complexity and uncertainty around the BOOT, employers and employees are choosing not to renegotiate agreements, its taking longer to renegotiate EBAs, or employers are not using them at all.
- The proportion of people working under a federally registered EBA that has lapsed - but is still operational - has climbed over the past four years to almost 40 per cent of federally registered EBAs.
- Workers on an agreement that is not or has not been able to be renegotiated (after the nominal expiry date) could remain on the same pay rate.

[Read the full report here](#)

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# The state of enterprise bargaining in Australia

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February 2021



**BCA**

Business Council of Australia

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## Key points

- Enterprise agreements are a core part of Australia’s modern workplace relations system. Almost 40 per cent of employees were covered by an enterprise agreement (EA) in 2018 or around 4 million people.
- Just over 20 per cent of employees were on an award in 2018 or around 2.2 million people, including around 200,000 people who were on the national minimum wage.
- By law, employees must be better off overall under an enterprise agreement than they would be on the award.
  - On average, non-managerial employees paid under enterprise agreements earned \$42.00 per hour in 2018, while non-managerial employees paid under awards earned \$29.40 per hour.
  - Just over 50 per cent of full-time employees employed under an enterprise agreement in a non-managerial role earned over \$1,600 each week in 2018. Only around 20 per cent of full-time employees employed under awards in non-managerial roles earned over this much a week.
- The number of people employed on ‘active’ EAs – agreements that have not reached their nominal expiry date – peaked at around 2.6 million in 2014. In September 2020 there were only 1.9 million people on active agreements.
- The large fall indicates that some employers and employees are choosing not to renegotiate agreements that have reached their nominal expiry date, negotiations are taking longer than they used to or employers are choosing not to use EAs altogether. The COVID crisis also had a large impact on the number of new agreements made in 2020.
- The number of active agreements is falling, and to date this has shown no signs of halting. In September 2020, there were the lowest number of active federal enterprise agreements in over 22 years.
- The number of new private sector agreements being made has fallen from around 11,400 in 2008-09 to around 3,900 in 2019-20.
- For active agreements (with quantifiable wage increases), wage growth was an average annualised rate of 2.6 per cent in the September quarter 2020. This is still substantially higher than the economy-wide average wage growth of 1.4 per cent over the year to September 2020 – the slowest national wages growth over the year since records began in 1997.
- However, wage growth under active agreements with quantifiable wage increases was the weakest it has been since the introduction of enterprise bargaining in the early 1990s. Some employees on lapsed, but still operational EAs may not be receiving pay rises.
- The higher wage levels for people working under EAs compared to awards and the relatively strong wage growth for employees covered by active EAs with quantifiable wage increases shows the importance of having a well-functioning enterprise bargaining system. A system that recognises the unique circumstances of different businesses and the people that work in them is vital. It shows that the success of the enterprise is shared when negotiating a new EA is a straightforward process that balances the needs of employees and employers.
- Even prior to the impact of the COVID pandemic on Australia’s labour market, wages growth across the economy had slowed, largely driven by the end of the terms of trade boom and weak productivity growth.

# The state of enterprise bargaining in Australia

Enterprise bargaining was introduced by Labor in the early 1990s and sector wide bargaining was restricted. Awards moved from being the main way of setting pay and conditions to a safety net.<sup>1</sup> A set of national minimum standards was introduced in 2006 and these were expanded in 2010 to establish the National Employment Standards.<sup>2</sup>

The current workplace relations system has served Australians well. Real wages have risen more than 60 per cent since the introduction of enterprise bargaining. Prior to the COVID induced recession, the unemployment rate was low and jobs growth had been strong. While the recovery in full-time employment after the COVID restrictions in 2020 has been slower than part-time employment, the overwhelming majority of working Australians are in full-time employment. Prior to COVID, around three-quarters of people working part-time were doing so because they wanted to work those hours or because it allowed them to combine work with other responsibilities including education and caring.<sup>3</sup>

Enterprise bargaining can include negotiations on pay and conditions if under the final agreement employees are better off overall than they would be on an award. Enterprise agreements cannot undercut the National Employment Standards, nor can they include wages that are lower than the base rate in the relevant award or the minimum wage.<sup>4</sup>

Enterprise agreements generally provide for benefits and entitlements that go beyond the safety net, including, for example, higher wage rates, higher wage rises over the life of the agreement, more generous or flexible leave entitlements or additional superannuation.

The Fair Work Commission (FWC) has separate frameworks for its annual decision on increasing the minimum wage and award wages. However, since 2011, both the minimum wage and award wages have increased by the same percentage change each year.<sup>5</sup> In 2020, increases to the award rates in some industries were delayed until November 2020 or February 2021.<sup>6</sup> Some EAs link wage increases to decisions on the minimum wage and awards.

## Almost 40 per cent of employees were covered by enterprise bargaining in 2018

Enterprise agreements are a core part of Australia's workplace relations system. In 2018, almost 40 per cent of employees were covered by an enterprise agreement or around 4 million people. Just over 20 per cent of employees were on an award or around 2.2 million people, including around 200,000 people who were on the national minimum wage. Just under 40 per cent of employees have an individual agreement and less than 5 per cent own and operate an incorporated small business.<sup>7</sup>

This is a fundamental shift compared to how the Australian labour market operated up until the mid-1980s. Up until that point over 80 per cent of employees' pay and conditions were governed by the awards and determinations of federal and state tribunals.<sup>8</sup>

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<sup>1</sup> The Treasury, *Analysis of wage growth*, November 2017.

<sup>2</sup> Fair Work Act Review Panel, 'Towards more productive and equitable workplaces. An evaluation of the Fair Work legislation', Australian Government, Canberra, 2012.

<sup>3</sup> ABS cat. no. 5206.0; ABS cat. no. 6206.0; Heath, 'The Evolving Australian Labour Market', Speech to the Business Educators Australasia 2018 Biennial Conference, 5 October 2018.

<sup>4</sup> The Treasury, *Analysis of wage growth*, November 2017.

<sup>5</sup> Between 1993 and 2010 the minimum wage and award wages were increased by a flat dollar amount, meaning the percentage increase was higher for the minimum wage than it was for most award wages. Bishop, 'The Effect of Minimum Wage Increases on Wages, Hours Worked and Job Loss', *RBA Bulletin*, September 2018.

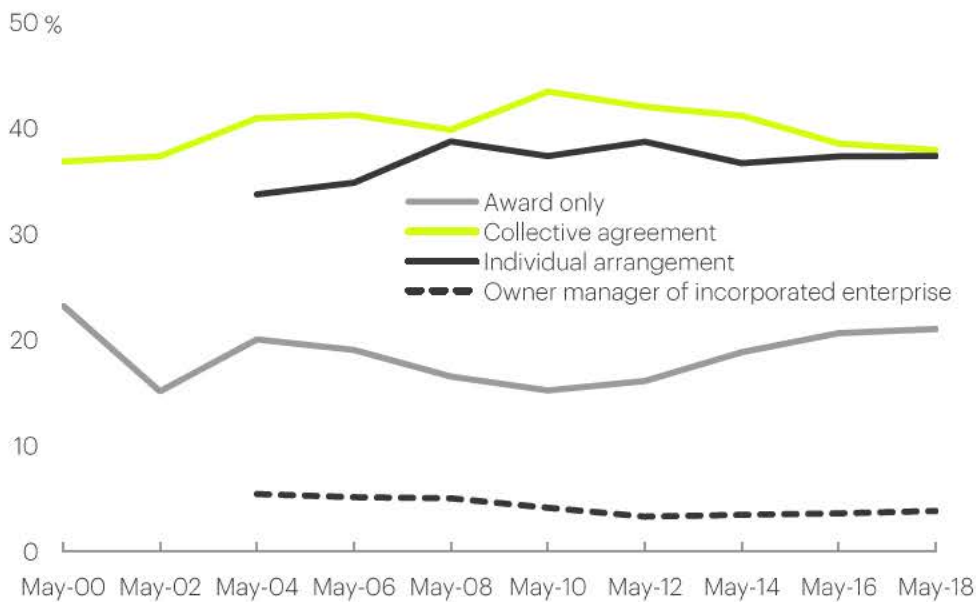
<sup>6</sup> <https://www.fairwork.gov.au/about-us/news-and-media-releases/2020-media-releases/july-2020/20200701-awr-media-release-1-july-2020>

<sup>7</sup> This is the latest data available. ABS cat. no. 6306.0; RBA, *Statement on Monetary Policy*, February 2019.

<sup>8</sup> Whiteford, *Australia: Inequality and prosperity and their impacts in a radical welfare state*, 2013.

Over the past 18 years, around 40 per cent of the workforce has been employed under an EA. The coverage of EAs across the workforce trended higher through the 2000s. Coverage initially increased following the introduction of the *Fair Work Act 2009* (which replaced *WorkChoices*) – peaking at 43 per cent in 2010. Since then, coverage has declined to 38 per cent in 2018.<sup>9</sup>

**Figure 1 Three-quarters of employees are on EAs or individual agreements**



Source: ABS cat. no. 6306.0.

Note: Data not designed as a time series. 2016 data is an indicative comparable estimate published by the ABS in 2018. It means the categorisation of employment arrangements that are on the cusp of awards and collective agreements in 2016 is on the same basis as 2018.

## Large employers use enterprise agreements more than smaller organisations

Large employers use enterprise agreements more than smaller organisations. While negotiating an enterprise agreement can be complex for any employer, larger employers are more likely to have the capacity to navigate through the system than smaller employers. The latest data available from 2014 show over 85 per cent of employees on EAs work for large employers (with 100 or more employees) and around two-thirds of employees on awards worked for a small or medium sized employer (with under 100 employees).<sup>10</sup>

### Why do businesses use enterprise agreements?

In a 2014 survey, the main reasons businesses gave for using EAs were to:

- respond to demands from employees or employee representative bodies (22 per cent)
- reward employees with higher wages than the applicable award rate (21 per cent)
- address award terms and conditions that were not suitable or flexible enough for the business (20 per cent)
- reduce complexity from otherwise having to use multiple awards (17 per cent).

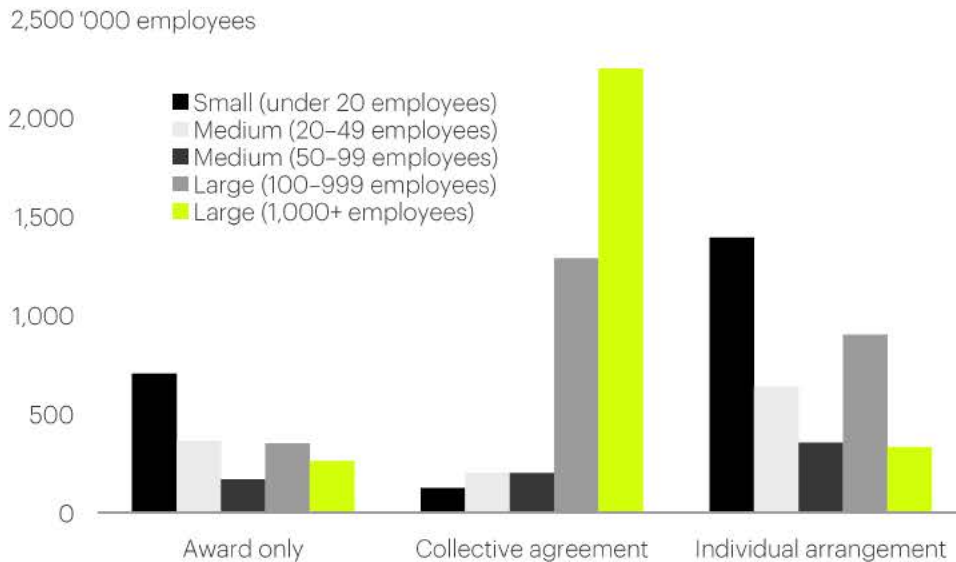
Source: FWC, *Australian Workplace Relations Study, First Findings report, January 2015*.

Note: Multiple responses were permitted. Enterprises that did not know whether there was an enterprise agreement in place were excluded.

<sup>9</sup> ABS cat. no. 6306.0.

<sup>10</sup> Ibid.

Figure 2 Large employers have the most employees employed under EAs



Source: ABS cat. no. 6306.0

Note: 2014 data, latest data available with this breakdown

## The number of employees covered by ‘active’ enterprise agreements has fallen since 2014

The number of employees covered by ‘active’ federal enterprise agreements rose rapidly in the 1990s after EAs became a part of the workplace relations system. The number of employees covered by federally registered, active EAs has fallen since 2014 and the medium to long term impact of the COVID crisis on the system is still unclear.

Most EAs are federally registered. This proportion has grown from around 73 per cent in 2010 to around 80 per cent in 2018.<sup>11</sup>

Although the overall proportion of employees covered by EAs in the economy has remained relatively stable (see Fig. 1), fewer people are being employed under ‘active’, federally registered agreements. The number of people employed under ‘active’ federal EAs, that is, EAs within their formal period of operation (up to four years from when the EA was approved by the FWC)<sup>12</sup> abruptly plateaued in December 2010 when 2.6 million employees were covered.

After March 2014, this plateau (which was also the historical peak) ended and coverage dropped to its lowest point in almost a decade at almost 1.8 million people in September 2017. It then recovered and coverage increased to over 2.2 million employees in December 2019. The COVID crisis caused coverage to swiftly drop through to 1.9 million employees in September 2020.<sup>13</sup> The impact of the crisis on coverage by ‘active’ EAs over the next six to 12 months is highly uncertain.

These changes have been broad-based across industries. In all but two industries, fewer employees were covered by active, federally registered EAs in September 2020 than were in March 2014 when national coverage peaked.<sup>14</sup>

<sup>11</sup> Attorney-General’s Department, Trends in Federal Enterprise Bargaining Report, September Quarter 2020; ABS cat. no. 6306.0.

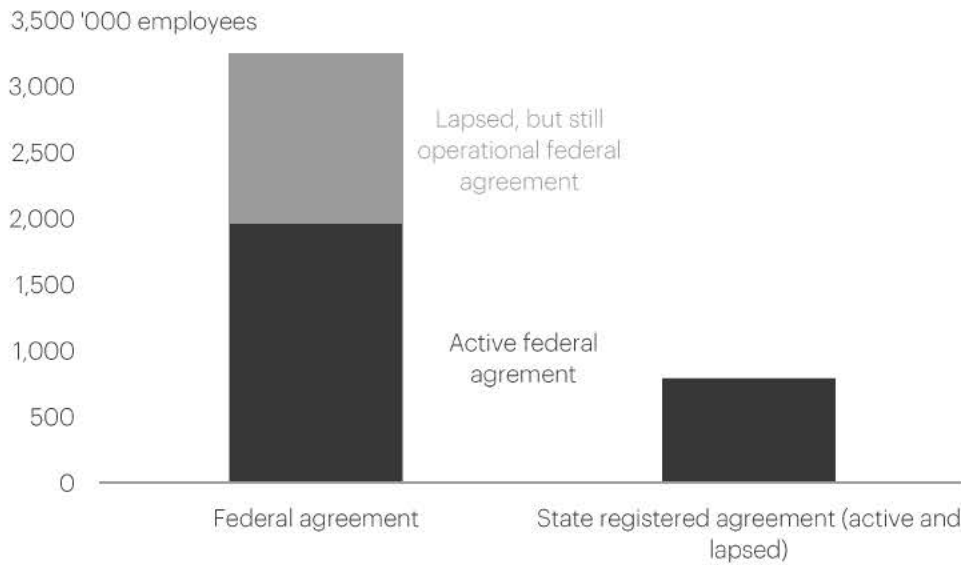
<sup>12</sup> FWC, Enterprise bargaining fact sheet, <https://www.fairwork.gov.au/how-we-will-help/templates-and-guides/fact-sheets/enterprise-bargaining>.

<sup>13</sup> Attorney-General’s Department, Trends in Federal Enterprise Bargaining Report, September Quarter 2020.

<sup>14</sup> Ibid.

The number of ‘active’ agreements is falling, and to date this has shown no signs of halting. In September 2020, there were the lowest number of ‘active’ federal enterprise agreements since 1998.<sup>15</sup>

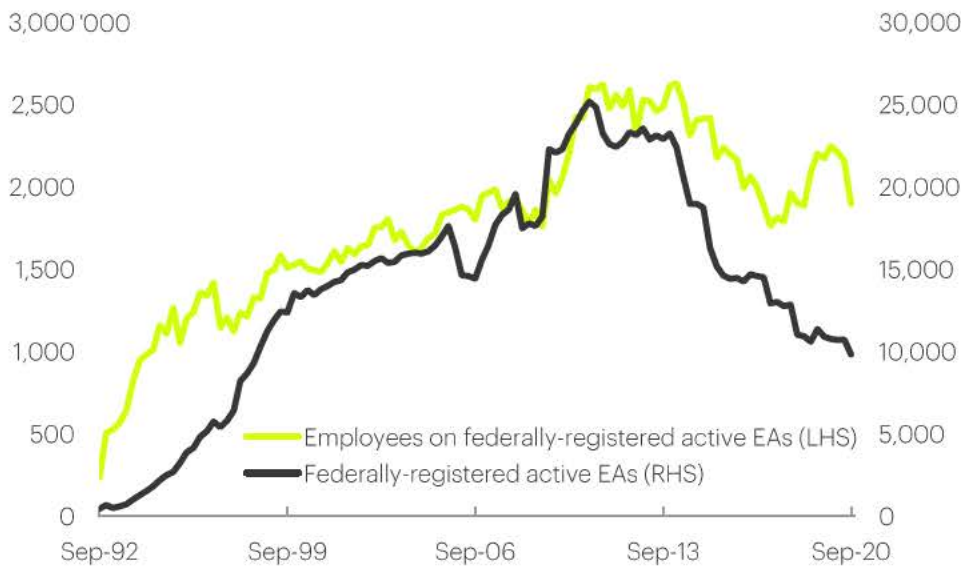
**Figure 3 Most EAs are registered federally**



Source: Business Council calculation based on Attorney-General’s Department, Trends in Federal Enterprise Bargaining Report, September Quarter 2020 and ABS cat. no. 6306.0

Note: 2018 data, latest data available with this breakdown

**Figure 4 The number of federally registered, active agreements and employees covered have fallen since 2014**



Source: Attorney-General’s Department, Trends in Federal Enterprise Bargaining Report, September Quarter 2020

<sup>15</sup> Ibid.

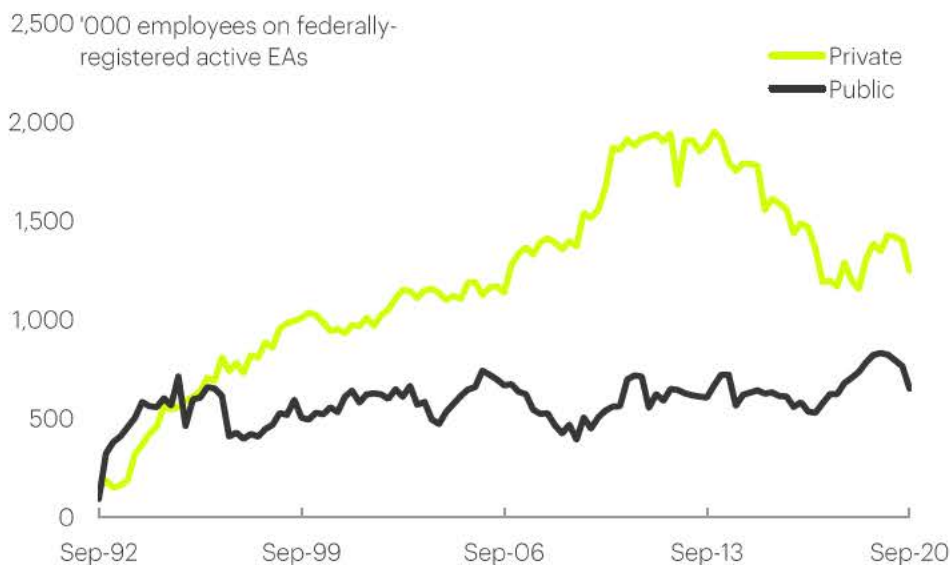


Aside from recent drops due to COVID, in aggregate, the falls in the number of active agreements and employees covered under these agreements are being driven almost entirely by changing behaviour in the private sector.<sup>16</sup>

The number of new private sector agreements being made has fallen from around 11,400 in 2008-09 to around 3,900 in 2019-20.

The recovery in the number of people employed under active agreements in 2018 and 2019 was driven by both the private and public sectors, with the number of public sector employees covered by active agreements reaching a record high in late 2019. The importance of the public sector to this, now temporary, recovery was unusual given that sector makes up a relatively small share of employees covered by active EAs. The COVID crisis saw coverage from active agreements drop in both sectors in 2020 and the outlook for EA coverage in the private and public sectors is uncertain as the economy emerges from this crisis.

**Figure 5 The number of employees covered by active, federally registered EAs in the private sector has fallen since 2014**



**Source: Attorney-General's Department, Trends in Federal Enterprise Bargaining Report, September Quarter 2020**

## The use of enterprise agreements in the economy is changing

Although the total proportion of people covered by EAs in the economy had only declined slightly by 2018, the number of 'active' agreements has dropped substantially and fewer employees are covered by active agreements compared to the early 2010s.

This indicates that some employers and employees are choosing not to renegotiate agreements that have lapsed, but are still operational,<sup>17</sup> negotiations are taking longer than they used to or employers are choosing not to use enterprise agreements altogether, which is due, in part, to the complexity and uncertainty in the agreement assessment and approval process.

A major factor is likely the changing interpretation of the better off overall test (BOOT) which has contributed to a more flawed system that is more procedurally complex and harder to navigate.

The uncertainty due to the COVID pandemic is also likely playing a role in the decline in employees covered by active agreements in 2020. On average an agreement will be active for around three years and some companies

<sup>16</sup> Ibid.

<sup>17</sup> Once an agreement reaches its nominal expiry date, the terms and conditions continue to apply until it is renegotiated or terminated by the FWC. Bishop and Cassidy, 'Wages growth by pay-setting method', *RBA Bulletin*, June 2019.

may be more hesitant in entering into long running agreements when the outlook for even the next few months is highly uncertain.

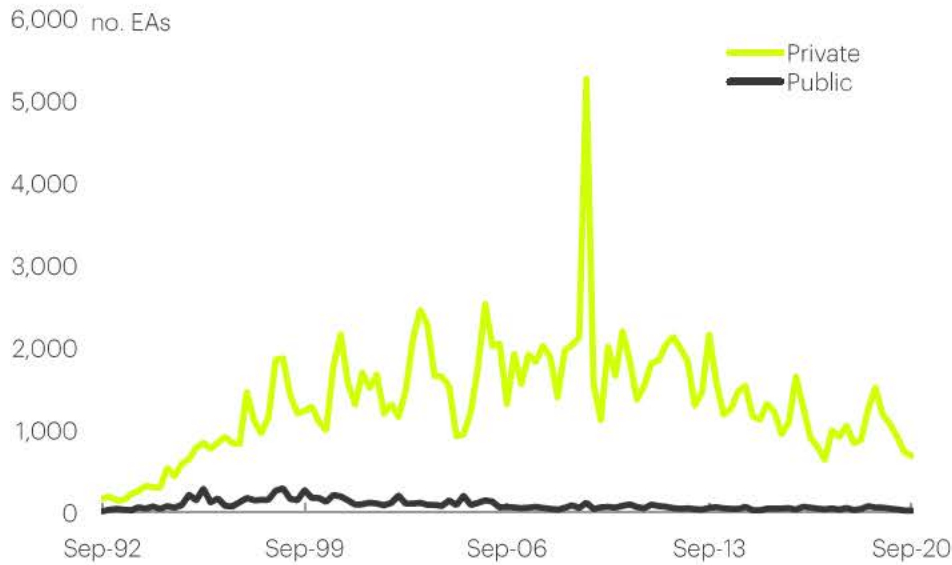
Between 2010 and 2014 an estimated 14 to 22 per cent of people employed under a federally registered EA were working in organisations where the EA had passed its nominal expiry date, but was still operational. It is likely that this gap has always existed to some extent because of lags between the nominal expiry date passing and negotiations for new agreements concluding.

However, the proportion of people working under federally registered EAs that had lapsed, but were still operational, had climbed to almost 40 per cent of federally registered EAs by 2018, the latest data available.<sup>18</sup>

This is a result of more businesses choosing not to negotiate a new agreement and also a reflection that renegotiations may be taking much longer than they did previously.

An indication of this shift is that the number of new (and renegotiated) federal agreements being approved every quarter has been trending lower over the past decade. Prior to the COVID crisis this was mainly driven by a decline in the number of smaller employers using EAs.<sup>19</sup> The COVID crisis may exacerbate this trend. The number of new agreements made in the June and September quarters 2020 were the second and third lowest quarterly numbers since June 1995.

**Figure 6** New federally registered EAs approved each quarter is falling



Source: Attorney-General's Department, Trends in Federal Enterprise Bargaining Report, September Quarter 2020

### The better off overall test is likely playing a role

The evolution of the BOOT has contributed to a reduction in EA coverage generally and an increase in the prevalence of lapsed, but still operational enterprise agreements.

The BOOT was introduced by the Fair Work Act in 2009. Previously, there had been different versions of a no-disadvantage test in the workplace relations system.

In 2016, the FWC found the BOOT required every employee and prospective employee be better off than under the relevant award, rather than employees being better off overall (Coles decision).<sup>20</sup> This has driven a

<sup>18</sup> Business Council calculation based on ABS cat. no. 6306.0 and Attorney-General's Department, Trends in Federal Enterprise Bargaining Report, September Quarter 2020.

<sup>19</sup> Attorney-General's Department, Trends in Federal Enterprise Bargaining Report, September Quarter 2019; Australian Government, Australian Government Submission to the Fair Work Commission Annual Wage Review 2019, 15 March 2019.

<sup>20</sup> Winckworth, Coles – the BOOT needs to fit all feet (not just the majority), <https://www.claytonutz.com/knowledge/2016/august/coles-the-boot-needs-to-fit-all-feet-not-just-the-majority>; FWC Decision, <https://www.fwc.gov.au/documents/decisionsigned/html/2016fwcfb2887.htm>.

procedurally complex approach to BOOT assessments that has been a key factor in the decline in active agreements.

Both the number of active agreements and the number of employees covered by these agreements stopped growing by the end of 2010 and began a clear decline in 2013-14, by which time most EAs negotiated prior to the Fair Work Act would have reached their nominal expiry date.

### **Procedural complexity and risk is also contributing**

Simple agreements are getting processed relatively quickly by the FWC. However, there were almost double the number of agreements deemed as complex in 2018-19 as there were in 2015-16.<sup>21</sup>

Although the median time to approve an agreement without ‘undertakings’ blew out in 2017-18, for all other years between 2015-16 and 2019-20, it was below the FWC’s target of 30 days.<sup>22</sup> (An undertaking is when an employer undertakes to address minor concerns from the FWC where the EA would otherwise not meet requirements in the Fair Work Act.)<sup>23</sup>

However, the proportion of agreements approved with undertakings or complex agreements has increased substantially. The number of agreements approved with undertakings rose from around 30 per cent in 2014 and 2015 to 70 per cent in the second half of 2017 and was over 60 per cent through to the first half of 2019.<sup>24</sup> Data for 2019-20 has not been published.

It seems that the timeliness of FWC finalisation of agreements is improving. However, despite improvements between 9 February and 8 September 2019, still only 77 per cent of complex agreements were finalised within 16 weeks compared to its benchmark of 100 per cent.<sup>25</sup>

The procedural complexity arising from the agreement, assessment and approval process continues to be a factor. Ensuring that agreements pass the BOOT has become more complex for the FWC since the Coles decision.

### **Enterprise agreements pay higher wages than awards on average**

Employees on enterprise agreements earn more than employees paid award wages, on average.

On average, non-managerial employees paid under EAs earned \$42.00 per hour in 2018. While non-managerial employees paid under awards earned \$29.40 per hour on average in 2018.

Within this average, there is wide variation. Not every person on an EA earns more than a person on an award due to differences in pay across industries and the types of work, but many more people on EAs have a higher income.

Just over 50 per cent of full-time employees employed under an EA in a non-managerial role earned over \$1,600 each week in 2018. By comparison, only around 20 per cent of full-time employees employed under awards in a non-managerial role earned more than this a week. Around 250,000 full-time employees employed under an EA in a non-managerial role earned over \$2,500 per week in 2018. Only 23,000 non-managerial, full-time employees on awards were earning over that amount. The median weekly wage for all full-time, non-managerial employees was \$1,460 in 2018.<sup>26</sup>

In part, the higher average weekly wage for employees on EAs reflects the award system’s role as a safety net (although a substantial proportion of full-time, non-managerial employees on awards earn over the median wage). There is a legal requirement that employees on an EA must be better off overall than they would have

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<sup>21</sup> FWC, *Annual Report 2018-19*, 2019.

<sup>22</sup> *Ibid.*; FWC, *Annual Report 2019-20*, 2020.

<sup>23</sup> FWC, *Undertakings in enterprise agreements*, <https://www.fwc.gov.au/awards-agreements/agreements/approval-process/undertakings>.

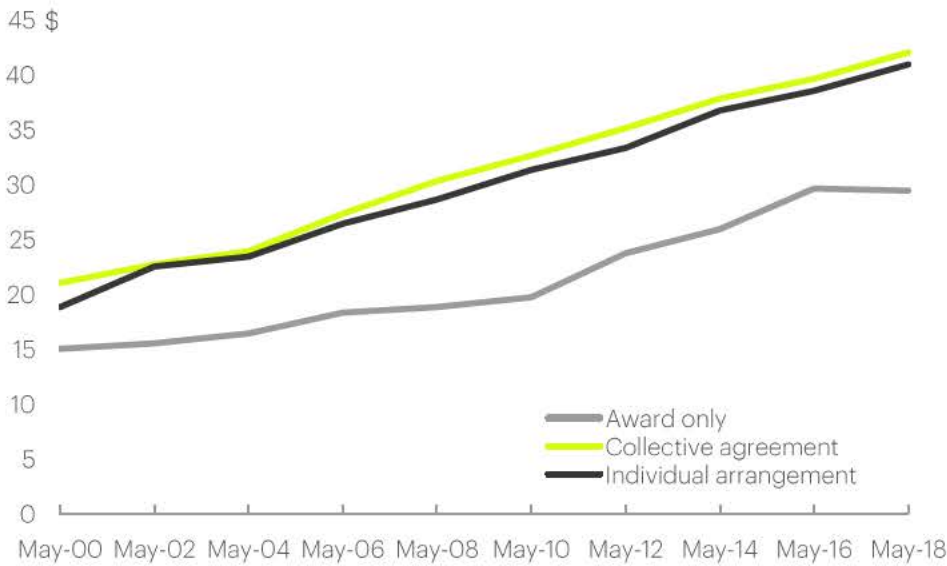
<sup>24</sup> FWC, *Annual Report 2018-19*, 2019.

<sup>25</sup> *Ibid.*

<sup>26</sup> ABS cat. no. 6306.0

been on the award. And people working in lower skilled jobs tend to be lower paid and are more likely to be employed under an award.<sup>27</sup>

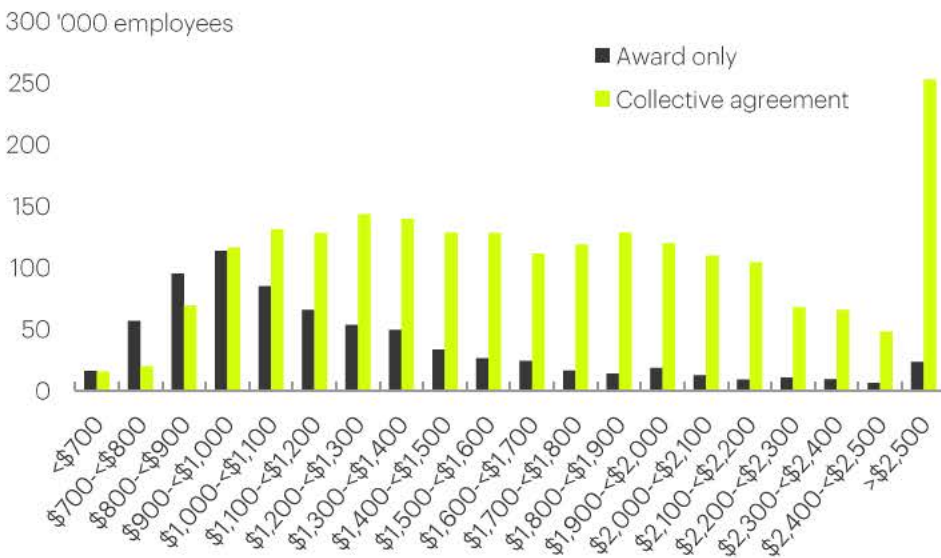
**Figure 7 Average hourly earnings (non-managerial employees)**



Source: ABS cat. no. 6306.0

Note: Data not designed as a time series. 2016 data is an indicative comparable estimate published by the ABS in 2018. It means the categorisation of employment arrangements that are on the cusp of awards and collective agreements in 2016 is on the same basis as 2018.

**Figure 8 Weekly earnings for full-time, non-managerial adult employees**



Source: ABS cat. no. 6306.0

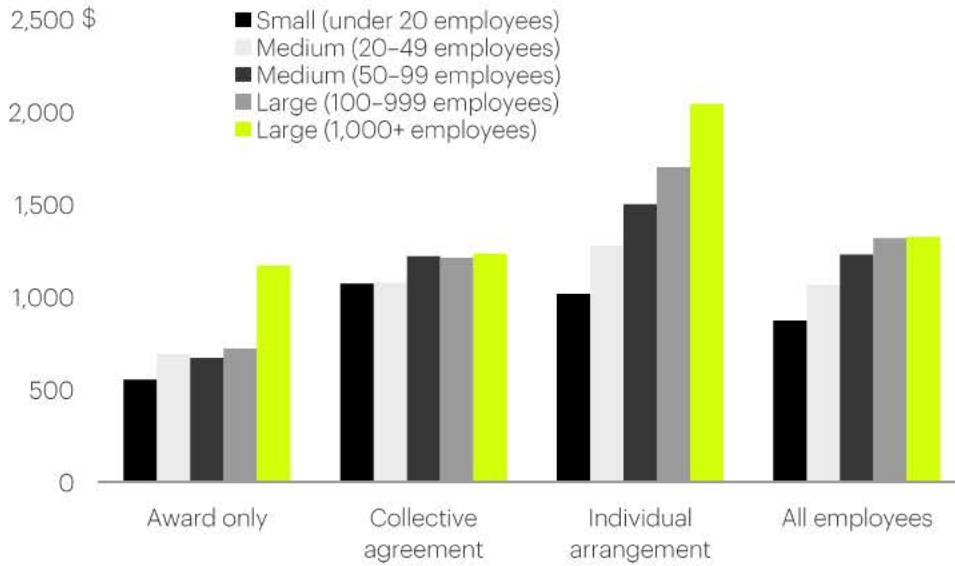
It also reflects differences across industries. For example, in the mining sector, which is highly paid on average, very few employees are on award wages.

In employers of every size, on average, wages are higher for people employed under EAs than people employed under awards (data from 2014, the latest available). Wages also tend to be higher in larger businesses on

<sup>27</sup> Productivity Commission, *Workplace Relations Framework*, Inquiry Report, 2015.

average, reflecting their higher ‘capital per worker’, in other words how much investment the business has done over time.<sup>28</sup>

**Figure 9 Average weekly earnings by employer size (full-time and part-time employees)**



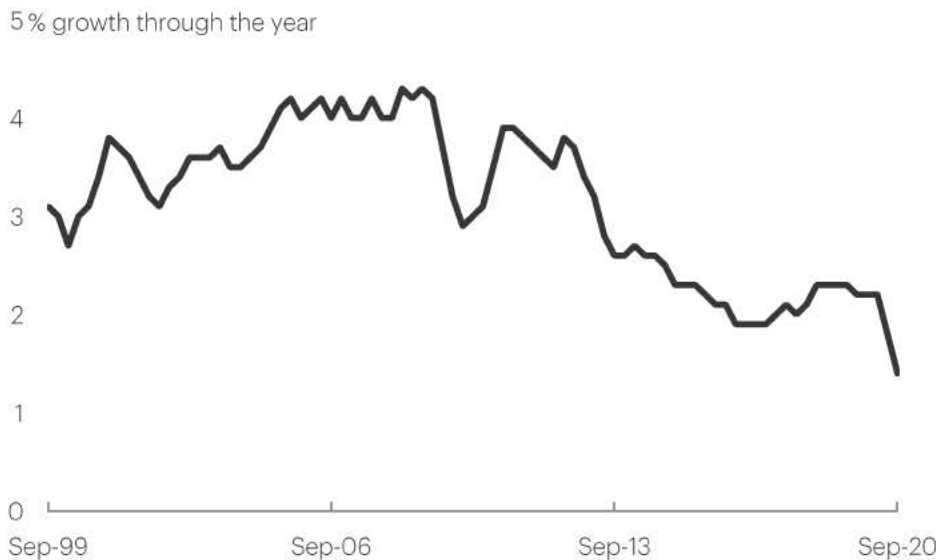
Source: ABS cat. no. 6306.0

Note: 2014 data, latest data available with this breakdown

## Understanding wages growth in active enterprise agreements

By any measure, wages growth has been weak for several years, and only softened further during 2020 as government restrictions to stop the spread of COVID severely affected the labour market. The wage price index (WPI) increased 1.4 per cent over the year to the September quarter 2020 – the slowest growth over the year since records began in 1997.

**Figure 10 WPI growth is the weakest it has been in over 20 years**



Source: ABS cat. no. 6345.0

<sup>28</sup> The Treasury, *Analysis of wage growth*, November 2017.

For enterprise agreements that are active (with quantifiable wage increases), wage growth is comparatively strong – growing at an average annualised rate of 2.6 per cent in the September quarter 2020 – substantially higher than the WPI growth for all employees. However, wages growth under active enterprise agreements with quantifiable wage increases in 2020 was also the lowest it has been since enterprise bargaining was introduced in the early 1990s.

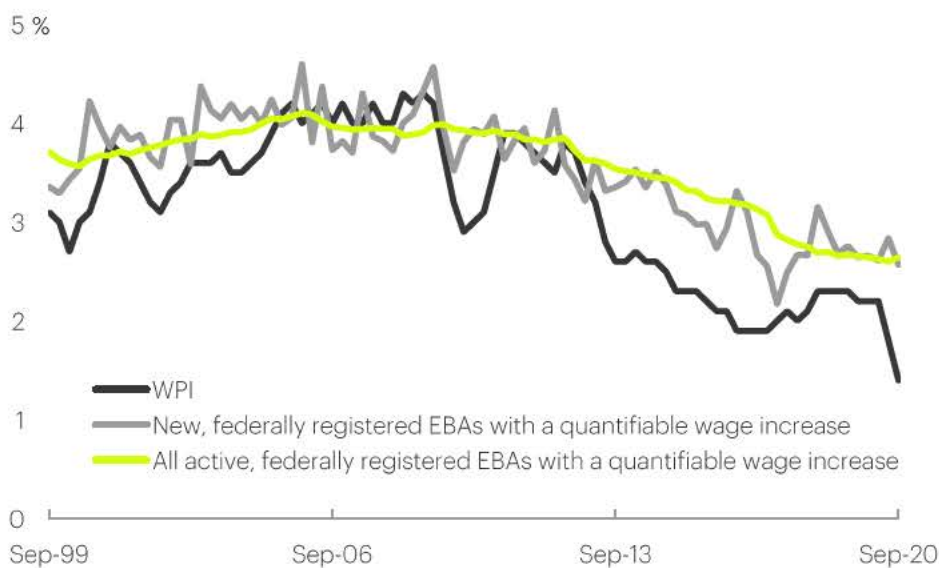
It is not usual for wage growth for people on EAs to remain fairly steady during an economic crisis compared to wage growth across the whole economy as wage growth under EAs is set during negotiations sometimes occurring years before a crisis. For example, wages growth under EAs was almost unchanged during the GFC, while it dropped sharply for people on individual agreements and the minimum wage was frozen in 2009.<sup>29</sup>

The relatively strong wage growth for employees covered by active EAs (with quantifiable wage increases) compared to the wider economy, shows the importance of having a well-functioning enterprise bargaining system where the unique circumstances of different businesses and the people that work in them are recognised. It shows that the success of the enterprise is shared when negotiating a new enterprise agreement is a straightforward process that balances the needs of employees and employers.

## Wages growth in active enterprise agreements with quantifiable wage increases is faster than the economy as a whole

For employees covered by active, federally registered enterprise agreements with quantifiable wage increases, wages growth is faster than the whole of the economy on average. WPI grew by just 1.4 per cent through the year to September 2020, while the average annualised wage increase was 2.6 per cent in the September quarter 2020 for active, federally registered EAs with quantifiable wage increases.

**Figure 11** Wages growth in active, federally registered EAs with quantifiable wage increases is stronger than the wider economy



Source: Attorney-General's Department, Trends in Federal Enterprise Bargaining Report, September Quarter 2020; ABS cat. no. 6345.0

However, it is likely that fewer than 50 per cent of people who work under an EA are covered by active, federally registered EAs with quantifiable wage increases (see box below).

<sup>29</sup> Bishop and Cassidy, 'Wages growth by pay-setting method', *RBA Bulletin*, June 2019.

Wages growth in the wider economy and for employees employed under active, federally registered EAs with quantifiable wage increases was broadly similar between 2001 and 2012.<sup>30</sup> While both slowed between 2012 and 2020, the slowdown was much more pronounced for the wider economy than for employees employed under active, federally registered EAs with quantifiable wage increases. After improving between 2017 and 2019, the gap widened again over 2020.

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### **Defining active, federally registered EAs with quantifiable wage increases**

As described above, the Attorney-General's Department data on EAs only covers EAs that are federally registered, although that was around 80 per cent of EAs in 2018.

In addition, the data only covers 'active' EAs – that is, agreements that haven't reached their nominal expiry date. Once an agreement formally expires, it continues to apply until it is renegotiated or formally rescinded through a hearing of the FWC. Some agreements continue to apply for years after the nominal expiry date. It is estimated that around 60 per cent of employees on a federally registered EA in 2018 were on an active agreement.

Finally, the Attorney-General's Department data on wages growth under federally registered, active EAs does not include EAs where the wage increase cannot be quantified. This includes EAs that do not have consistent wage increases for all employees (e.g. where wages are linked to individual or company performance) or if wage changes are linked to future movements in other decisions or metrics (e.g. the FWC's annual wage review, CPI growth or WPI growth).

Of the 9,804 agreements covered in the Attorney-General's Department data from September 2020, 7,184 agreements had quantifiable wage increases. The number of employees that are on agreements without a quantifiable wage increase is not available. But in 2015, around 30 per cent of employees in Attorney-General's Department data were on EAs with unquantifiable wage increases. In some sectors, this proportion was as high as 80 to 90 per cent of employees (including accommodation and food, financial services and information, media and telecommunications).

Analysis of 2015 data by the Attorney-General's Department found that excluding non-quantifiable wage increases is likely to have a small impact on the representativeness of reported wage increases. It is not possible to know whether the more recent rise in the number of EAs which link wage increases to FWC decisions would change this analysis.

Because of these limitations, data on wages growth from the Attorney-General's Department likely covers fewer than 50 per cent of employees that are on all EAs in the economy.

**Source: Attorney-General's Department, Trends in Federal Enterprise Bargaining Report, September Quarter 2020; ABS cat. no. 6306.0; Peetz and Yu, Explaining recent trends in collective bargaining, FWC research report, 2018; Bishop and Cassidy, 'Wages growth by pay-setting method', RBA Bulletin, June 2019; Department of Employment, Non-quantifiable wage increases in federal enterprise agreements, 2016.**

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The gap between WPI growth and wages growth under active, federally registered EAs with quantifiable wage increases first opened up at a roughly similar time as the number of active agreements began to fall. The fall was primarily driven by smaller employers no longer using EAs.<sup>31</sup> Larger businesses generally have stronger wages growth because they are more capital intensive and therefore experience stronger labour productivity growth.<sup>32</sup> The interaction of these two dynamics may have contributed to wages growth in active, federally registered EAs with quantifiable wage increases holding up compared to the rest of the economy, particularly prior to 2020.

Generally, the higher rate of wages growth over the last eight years for employees under active, federally registered EAs with quantifiable wage increases has held across almost all industries for a very similar time frame.

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<sup>30</sup> Except during the GFC.

<sup>31</sup> Australian Government, *Australian Government Submission to the Fair Work Commission Annual Wage Review 2019*, 15 March 2019.

<sup>32</sup> The Treasury, *Analysis of wage growth*, November 2017.

**EMBARGO – 12:01am midnight, 19 February 2021**

That is, the stronger wages growth under these EAs has been widespread and is seemingly not being driven by a few high growth industries that are more likely to employ people under active EAs.



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