

## **RESPONSE TO REQUEST FOR INFORMATION FROM THE HOUSE OF REPRESENTATIVES INQUIRY INTO ISSUES SPECIFIC TO OLDER WORKERS SEEKING EMPLOYMENT, OR ESTABLISHING A BUSINESS, FOLLOWING UNEMPLOYMENT**

The Department of Employment, Workplace Relations and Small Business (DEWRSB) has been asked to provide data on the percentage of the workforce whose wages and conditions are determined by the following:

- award
- union negotiated enterprise agreements
- non-union negotiated enterprise agreements
- unregulated/any other arrangements
- AWAs.

### **AWARDS, AGREEMENTS AND OTHER ARRANGEMENTS**

There are limited reliable data available on award and agreement coverage in Australia. As a result it is difficult to draw strong conclusions about recent trends. Despite this, it is possible to make some broad comparisons between the DEWRSB Award and Agreement Coverage Survey 1999 (AACS) and data obtained through the 1995 Australian Workplace Industrial Relations Survey (AWIRS 95), also undertaken by DEWRSB.

AWIRS 95 collected data on award and agreement coverage at workplaces with 20 or more employees by asking managers, for each occupation present at the workplace, what determined pay for the majority of employees within that occupation. The AACS covered all employees in organisations with 5 or more employees (see [Attachment A](#) for a description of the four types of payment system identified in the AACS). The AWIRS and AACS data below are for the economy as a whole and do not distinguish between State and federal jurisdictions.

While caution is required in making comparisons because of the different survey populations, a comparison of data from the AACS and AWIRS 95 suggests that there has been an increase in the reach of agreement making, in terms of both registered and informal overaward/unregistered agreements. The AACS data show that 42 per cent of employees are covered by registered collective agreements, and that an additional 22 per cent are covered by overawards or unregistered agreements. In contrast, AWIRS 95 showed that 44 per cent of employees were covered by agreements (whether registered or informal) in 1995.

Tables 1 and 2 show coverage data from AWIRS 95 and the AACS respectively.

**TABLE 1 AWIRS 1995 ESTIMATES OF COVERAGE IN WORKPLACES WITH 20 OR MORE EMPLOYEES**

	Awards only	Overawards	Agreements	Individual arrangements
	% emp'ees	% emp'ees	% emp'ees	% emp'ees
Private sector	30	16	38	14
Public sector	38	4	55	1
Employees in all workplaces	33	13	44	9

Source: Morehead et al, (1997) Changes at Work: The 1995 Australian Workplace Industrial Relations Survey, Longman, Melbourne, page 227

**TABLE 2: AACS 1999 ESTIMATES OF EMPLOYEE COVERAGE IN ORGANISATIONS WITH 5 OR MORE EMPLOYEES**

	Awards only	Overawards/ Unregistered agreements	Registered collective agreements	Other pay arrangements
	%	%	%	%
Private sector	26	30	29	15
Public sector	13	1	76	10
Employees in all organisations	22	22	42	14

Source: DEWRSB, Award and Agreement Coverage Survey 1999.

Note: Rows may not add to 100 per cent due to rounding.

Population: Employees at organisations with 5 or more employees. Estimates are weighted and are based on responses for 306,013 employees.

The first thing to note is that the AACS data show that the proportion of employees paid the award rate in 1999 (22 per cent) was considerably lower than the AWIRS 95 estimate for 1995 (33 per cent). While some of this difference reflects the different survey populations, it is reasonable to conclude that the proportion of employees who are paid the award rate has fallen since 1995. It is difficult to be precise about the magnitude of this fall, given the different survey populations.

The difference in the measured proportion of employees paid at the award rate between the two surveys is particularly evident in the public sector where, according to the AACS, 13 per cent of public sector employees were paid at the award rate in 1999 compared to the AWIRS 95 estimate of 38 per cent. (AWIRS 95 may have overstated public sector award reliance).

The shift away from awards was not as prevalent in the private sector where, according to the AACS, 26 per cent of private sector employees were paid the award rate in 1999 compared to the AWIRS 95 estimate of 30 per cent.

While the AACS data show that the proportion of employees who are paid the award rate is declining, it should be noted that, at 22 per cent, the share of the workforce who rely on awards for wage rates and wage increases is still significant. Also, a relatively high proportion of employees in organisations with less than 5 employees (which were not covered by the AACS) are likely to be paid at the award rate.

## **UNION AND NON-UNION AGREEMENTS**

We can report data on federally certified collective agreements made between employers and unions or employers directly with employees. Such a distinction, however, was not possible until the *Industrial Relations Reform Act 1993* which introduced enterprise flexibility agreements (EFAs) to be made directly between constitutional corporations and their employees. The *Workplace Relations Act 1996* (WR Act) abolished EFAs and introduced a new category of non-union agreement made under section 170LK of that Act.

There were 265 EFAs certified under the *Industrial Relations Reform Act 1993*, covering 23,641 employees. This represents 2.2 per cent of all agreements certified under the Act and 0.6 per cent of all employees covered by certified agreements.

As at 31 March 2000, there were 1,989 section 170LK (made directly with employees) certified agreements under the WR Act, covering 180,980 employees. This represents 10.7 per cent of all agreements certified under the WR Act and 7.9 per cent of employees covered by an agreement certified under the WR Act.

## **AUSTRALIAN WORKPLACE AGREEMENTS (AWAs)**

The federal WR Act provides the option for an agreement between an employer and an individual employee - Australian Workplace Agreements (AWAs). Federal AWAs must pass a global no disadvantage test against a relevant or designated award before they can be formalised and must be approved by the Employment Advocate, a statutory office established under the WR Act.

As at 30 April 2000:

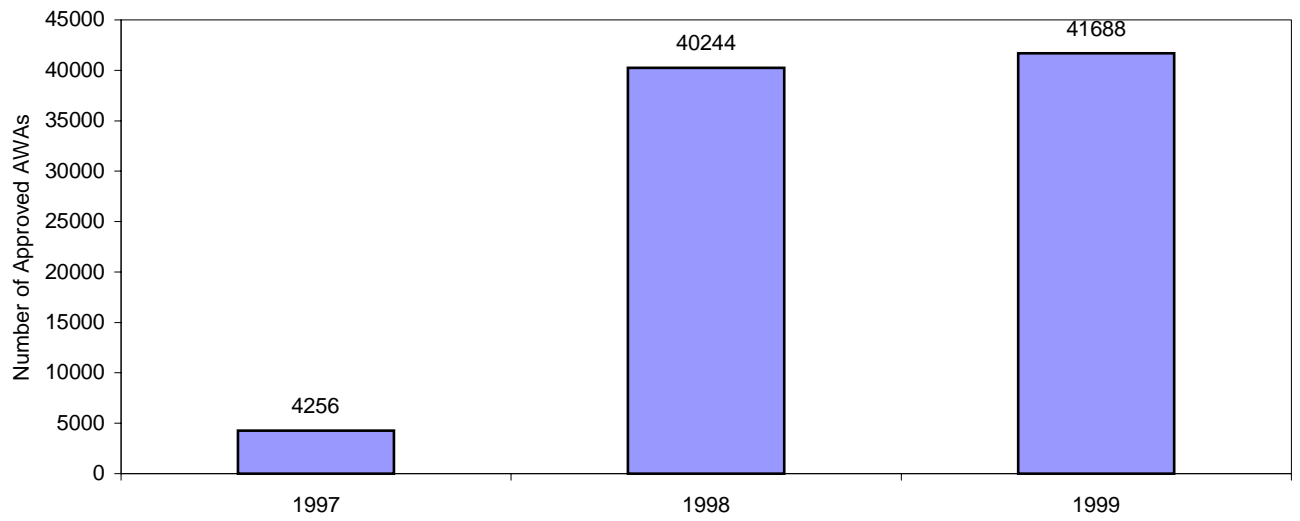
- 101,655 have been approved
- 2,026 employers have successfully used the AWA provisions of the WR Act.

AWAs have extended to all industry groups, across all sizes of business and to employees in all occupations. Chart 1 shows the number of AWAs approved between 1997 and 1999.

Queensland and Western Australia also have legislation which provides the option for an agreement between an employer and an individual employee. The most recent data available to DEWRSB for these States is as follows:

- In the March 2000 quarter, 74 Queensland Workplace Agreements (QWAs) were certified. This brings the total number of QWAs certified since the introduction of the Queensland *Workplace Relations Act 1997* in March 1997 to 2 824.
- In the March 2000 quarter, 17 357 individual agreements were lodged with the Commissioner of Workplace Agreements in Western Australia. This compares to 17 333 agreements certified in the December 1999 quarter and 14 814 in the September 1999 quarter.

**Chart 1: : Number of approved AWAs : 1997-1999**



Source: Office of the Employment Advocate

### Different types of payment systems

The AACS used four types of payment systems which are described below.

#### **Type A - Employees Paid Exactly the Award Rate**

This group covered employees who are paid exactly the award rate and who (in almost all instances) would be eligible to receive the full amount of safety net adjustments to award wage rates. Awards were described in the AACS as “the traditional way of setting minimum pay and conditions. They are legally enforceable documents that relate to terms and conditions of employment and are determined by industrial relations tribunals.” This category did not include employees who were paid above the award rate or those paid according to rates set in an agreement, even if that agreement operated in conjunction with an award. Throughout this booklet, the term award reliant is also used to describe employees paid exactly the award rate.

#### **Type B - Employees Paid Overaward Rates or by Unregistered Agreements**

This group covers employees paid by overawards or by unregistered agreements. Overawards were defined as “a rate of pay for standard hours that exceeds the rate of pay specified in the award. This does not include overtime”. Type B includes employees whose overaward rates were determined by management as well as informal unregistered agreements between managers and employees, or managers and unions, to pay employees above the award rate for standard or ordinary working hours. Employees covered by a registered agreement were excluded from this payment system. An important difference between Type B and Type D (other arrangements) was the link to the award system. For example, employees paid by unregistered individual agreement would be included in Type B rather than Type D if, in the absence of that unregistered agreement, they would be covered by the relevant award.

#### **Type C – Employees Covered by Registered Collective Agreements**

This group includes employees paid by registered collective agreements. Agreements were defined as “the result of bargaining between management and unions or between management and groups of employees”. Importantly, Type C only refers to registered collective agreements that set rates of pay. If the registered agreement did not set pay rates, then those employees would not have been included in this category. As noted above, unregistered agreements should have been included in Type B. Employees paid according to a registered individual agreement should also have been excluded from this category (they were included in Type D instead).

#### **Type D – Employees Paid by Other Arrangements**

This group captured pay arrangements for all other employees. It includes employees whose pay was set by registered individual agreements, for example, Australian Workplace Agreements (AWAs), Queensland Workplace Agreements or Western Australia Workplace Agreements. It also includes unregistered individual agreements for employees who would not otherwise have been covered by awards.