



FAIR WORK
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Other Services industry profile

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The contents of this paper are the responsibility of the authors and the research has been conducted without the involvement of members of the Minimum Wage Panel of Fair Work Australia.

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- Australian Chamber of Commerce and Industry (ACCI);
- Australian Industry Group (Ai Group);
- Australian Council of Social Services (ACOSS);
- Australian Council of Trade Unions (ACTU);
- Australian Government; and
- State and Territory Governments.

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List of Abbreviations

ABS	Australian Bureau of Statistics
ANZSCO	Australian and New Zealand Standard Classification of Occupations
ANZSIC	Australian and New Zealand Standard Industrial Classification
AWAs	Australian Workplace Agreements
EBIT	Earnings Before Interest and Tax
FOES	Forms of Employment Survey
FWA	Fair Work Australia
LFS	Labour Force Survey
NRC	Not Elsewhere Classified

Executive summary

The Other Services industry can best be described as fragmented and heterogeneous. It is broadly divided into the Repair and Maintenance and Personal and Other Services categories. Within these two categories, the most prominent occupations are represented by motor mechanics and hairdressers, with each of these representing more than 10 per cent of the total Other Services workforce.

Aside from the large, sophisticated employers of telecommunications repair workers, the industry is largely dominated by small enterprises operating in labour-intensive, highly competitive markets. The industry shows below-average levels of profitability; in particular, over a quarter of firms in Personal and Other Services operated at a loss in 2006–07. Participants in the study identified diverse pressures across these sub-sectors including severe skill shortages in automotive repair and maintenance, a culture of undercutting during bidding on laundry work contracts, and an ageing workforce in telecommunications repair. However, despite this heterogeneity, study participants identified that the competitive intensity often led otherwise disparate businesses to use labour costs as a lever for improved performance — this was the feedback received with respect to telecommunications repair, clothing repair, laundry work and beauty salons. Study participants identified that these sub-sectors in particular rely on minimum wages as a safety net for wages, as they are subject to strong customer bargaining power.

There may be longer term ramifications as a result of the strategies identified by study participants used in response to the downturn — including a shift to part-time work at the expense of full-time work. According to study participants another significant shift used as a business response to the global recession is a decline in the number of apprentices in areas such as hairdressing and automotive engineering.

Employment practices within the industry are similarly divergent. Only 68 per cent of workers in Other Services are engaged as employees compared to an Australian benchmark of 81 per cent. Contracting and subcontracting were found to be prevalent in areas such as telecommunications repair, laundry work and clothing repair. For employees, a relatively high incidence of less traditional forms of employment was underpinned by high levels of individual contracts, including Australian Workplace Agreements (AWAs), and wages tied to productivity (such as piece rates). There is a relatively low usage of collective agreements within the Other Services industry.

Common to many of the occupations present in Other Services are relatively low pay levels, reflecting the presence of workers such as hairdressers, laundry workers and clothing repair workers. Indeed, with regard to pay levels for full-time workers, the industry as a whole is ranked in the bottom five industries in the Australian economy. Furthermore, focusing on the hourly rates of some key occupations, we estimate that the average automotive repair worker earns around 79 per cent of the median Australian pay rate, while the average hairdresser earns around 61 per cent of the median rate. These numbers would be even lower for apprentices in these occupations.

Aligned with the presence of contracted, subcontracted and piece-rate work was the recurrent issue of compliance. The size of the business was related to levels of compliance, with employees in smaller workplaces reporting higher levels of alleged breaches of their employment rights. In areas such as hair and beauty, laundry work and sex services, qualitative research indicated a lack of awareness of enforceable rights on the part of the workers and some employers. Contraventions of workplace regulations were typically stated as unpaid penalty rate entitlements, a lack of clarity over employment status (for example, contract or employee), or inadequate record keeping of items such as contracts and time-slips.

The workforce itself has very distinctive attributes within sub-sectors of the broader industry. More than 84 per cent of the Repair and Maintenance workforce is male, while 75 per cent of Personal and Other Services workers are female. Linked to the highly gendered nature of the workforce is the nature of employment status in the Other Services industry. More than 81 per cent of Repair and Maintenance workers are employed full time, while only 56 per cent of workers in Personal and Other Services are working full time.

While the average age of the workforce is between 35 and 44, around 28 per cent of motor mechanics and 35 per cent of hairdressers are under the age of 24. Reflecting the dominance of these two occupations, there is a high incidence (67 per cent) of workers in Other Services having compulsory post-schooling qualifications (most likely Certificate III/IV).

There were reports of relatively high rates of award-reliance, particularly in sub-sectors such as laundry and clothing repair (which are reliant on minimum wages) and hair dressers and motor mechanics (which are reliant on the award specific to their occupational classification). According to the Australian Bureau of Statistics (ABS), around a quarter of wages in Other Services are determined directly by the award system, compared to an Australian benchmark of around 17 per cent. Study participants identified other important roles for minimum wages. Feedback from the interviewing process flagged two important roles for the minimum wage and the system of awards.

First, the award system provides a relativity scale between workers earning award rates and those earning above-award rates, typically some proportion or relative amount above the award rate. This was commonly cited as the case for more experienced automotive repair and maintenance workers. Moreover, the award system was highlighted as a mechanism for preserving relativities between those reliant on awards (both directly and indirectly) and those receiving steady wage increases through collectively bargained agreements.

Second, minimum wages were often emphasised as being essential for providing a floor to wage outcomes for sub-industries which were extremely cost competitive and prone to undercutting one another to attract customer demand. These sub-sectors included laundry contracting, clothing repair and sections of the beauty industry such as nail salons. In such cases, minimum wages act as a mechanism for providing a floor for the 'race to the bottom'.

By exploring the nature of the industry, including the business pressures, employment practices and wage-setting arrangements prevalent within Other Services, the commonalities between the sub-sectors have been drawn out.

1 Introduction

In 2009, Australia's *Fair Work Act 2009* (2009: s284) established a Minimum Wage Panel. The Minimum Wage Panel in Fair Work Australia undertakes an annual review of, and may vary, minimum wages. Minimum wages include the national minimum wage for award/agreement-free employees; special national minimum wages for award/agreement-free employees who are juniors, to whom training arrangements apply and employees with disability; modern award minimum wages and minimum wages in transitional minimum wage instruments not otherwise terminated by Fair Work Australia.

In reviewing minimum wages the Minimum Wage Panel must consider the minimum wage and modern award objectives of the *Fair Work Act 2009*.

The minimum wage objective requires Fair Work Australia to establish and maintain a safety net of fair minimum wages, taking into account:

- the performance and competitiveness of the national economy, including productivity, business competitiveness and viability, inflation and employment growth
- promoting social inclusion through increased workforce participation
- relative living standards and the needs of the low paid
- the principle of equal remuneration for work of equal or comparable value
- providing a comprehensive range of fair minimum wages to junior employees, employees to whom training arrangements apply and employees with a disability.

The modern awards objective requires Fair Work Australia to ensure that modern awards, together with the National Employment Standards, provide a fair and relevant minimum safety net of terms and conditions, taking into account:

- relative living standards and the needs of the low paid
- the need to encourage collective bargaining
- the need to promote social inclusion through increased workforce participation
- the need to promote flexible modern work practices and the efficient and productive performance of work
- the principle of equal remuneration for work of equal or comparable value
- the likely impact of any exercise of modern award powers on business, including on productivity, employment costs and the regulatory burden
- the need to ensure a simple, easy to understand, stable and sustainable modern award system for Australia that avoids unnecessary overlap of modern awards
- the likely impact of any exercise of modern award powers on employment growth, inflation and the sustainability, performance and competitiveness of the national economy.

This report profiles the sector in the Australian economy defined as the Other Services industry (Division S) according to the Australian and New Zealand Standard Industrial Classification (ANZSIC) (ANZSIC 2006). This report examines the composition and nature of the sector with a particular focus on the organisations and the workforce to inform minimum wage-setting.

The Other Services sector is a highly fragmented sector under ANZSIC (2006), and is divided into the 'Repair and Maintenance', and 'Personal and Other Services' and 'Private Households Employing Staff and Undifferentiated Goods and Service-Producing Activity of Households for Own Use' categories. The latter category represents a small share of employment in this industry and is not a focus in this report. Under the previous classification structure, ANZSIC (1993), the category was dispersed between the industries 'Retail Trade', 'Manufacturing' and 'Personal and Other Services'. Under the updated ANZSIC (2006), the category of 'Other Services' was created. For the purpose of this analysis, 'Other Services' according to ANZSIC (2006) will be the focus. Further detail regarding the classification is given in Table 1, below. A more detailed description taken from ANZSIC of each of the sub-sectors is provided in Appendix A.

Table 1.1: Classification of other services, ANZSIC 2006

Repair and Maintenance
• Automotive Repair and Maintenance
– Automotive Electrical Services
– Automotive Body Paint and Interior Repair
– Other Automotive Repair and Maintenance
• Machinery and Equipment Repair and Maintenance
– Domestic Appliance Repair and Maintenance
– Electronic (except Domestic Appliance) and Precision Equipment Repair and Maintenance
– Other Machinery and Equipment Repair and Maintenance
• Other Repair and Maintenance
– Clothing and Footwear Repair
– Other Repair and Maintenance not elsewhere classified (n.e.c.)
– Credit Reporting and Debt Collection Services
– Call Centre Operation
– Other Administrative Services
Personal and Other Services
• Personal Care Services
– Hairdressing and Beauty Services
– Diet and Weight Reduction Centre Operation
• Funeral Crematorium and Cemetery Services
• Other Personal Services
– Laundry and Dry Cleaning Services
– Photographic Film Processing
– Parking Services
– Brothel Keeping and Prostitution Services
– Other Personal Services n.e.c.
• Religious Services
• Civic Professional and Other Interest Group Services
– Business and Professional Association Services
– Labour Association Services
– Other Interest Group Services n.e.c.
Private Households Employing Staff and Undifferentiated Goods and Service-Producing Activities of Households for Own Use

Source: ABS 2006, cat. no. 1292.0

2 Methodology

Using a combination of qualitative and quantitative research, this report provides a profile of the Other Services sector. The three main research questions are provided below:

1. What is the economic and employment profile of the industry sector?

Method—Primarily dealt with via stakeholders and statistical analysis

2. What are the defining features of employment practices and conditions in the sector?

Method—Employee interviews and statistical analysis

3. How do wage-setting arrangements work alongside other internal and external factors in determining business performance in the sector?

Method—Analysis based on stakeholders, employee interviews and statistical analysis

The research was divided into three stages. A literature review was undertaken to provide researchers with an in-depth understanding of wider sectoral issues, as well as the impacts of minimum wages and minimum wage movements. This was followed by a statistical analysis, which looked at the industry in greater detail. The final stage, in which qualitative research was undertaken, was divided into two sections—stakeholder interviews and employee interviews.

Statistical data can be generally divided into two data types: economic statistics and population statistics. This report most often presents economic statistics as data where businesses are the primary unit of analysis; for example, revenue share and profit margins relate directly to businesses. The second type of statistics used throughout the report are population statistics. This data is collected directly from people and the primary unit of analysis is people themselves; for example, industry of employment, or part-time/full-time status relate to individuals.

Where possible, the report divides population statistics relating to labour into two sub-populations: employees and non-employees. Employees are those who are directly employed by a business. Non-employees may be independent contractors or other business operators if the 'form of employment' variable is used; or an employer, own account worker, contributing family worker, or unpaid voluntary worker, where the 'status in employment' variable is used. The use of either variable is dependent on which Australian Bureau of Statistics (ABS) survey the data presented came from.

This report uses employment data on 'all persons employed'¹ for the most part, as there is not as much readily available data on the category of 'employees'. Compounding this problem are the varying definitions of what makes up an 'employee' within ABS collections. There are two ways in which ABS surveys define an employee—the *Labour Force Survey* (LFS) definition, and the *Forms of Employment Survey* (FOES) definition. Both are described in the Appendix B

¹ The category of 'all persons employed' includes employers and employees, as well as account workers.

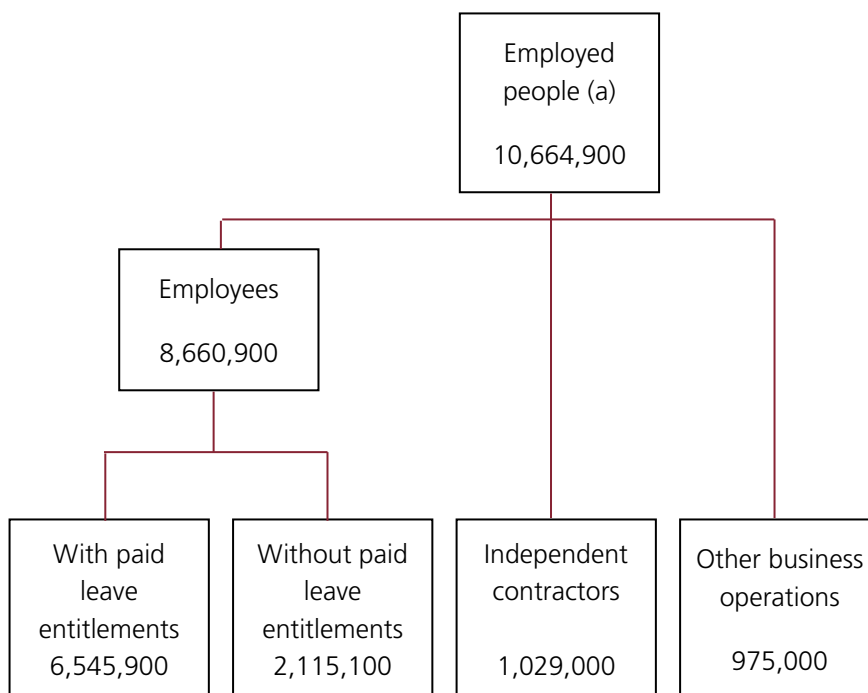
Collecting reliable information on form of employment or legal mode of engagement is often difficult. For most labour market statistics, interest in the precise form of employment is of secondary importance. The monthly LFS is primarily concerned with the level and degree of economic activity contributed by the population. The primary matters of interest for the LFS are:

- whether people are in the labour market or not
- if they are employed in the labour market, whether they are employed or not
- if they are employed, how many hours they work and in what industries and occupations.

To the extent that the LFS distinguishes between various forms of employment, the categorisations it separates out are: employees, own-account workers and employees. The fact that many self-employed workers operate through incorporated entities has meant that in the LFS framework they are classified as employees, even though they are more accurately characterised as own-account workers.

In recognition of problems such as these, over the last ten years the ABS has, devoted special attention to more accurately capturing details on the proportion of workers falling into various forms of employment through the FOES (cat. no. 6359.0) which provides the benchmark in estimating the number of workers falling within various forms of employment. This way of classifying the labour force is relatively new and not commonly used in statistical studies of the workforce. A summary of ABS's 2009 estimates is provided in Figure 2.1.

Figure 2.1: Forms of employment, 2009



(a) Excludes people who were contributing family workers in their main job.
Population: All persons employed
Source: ABS2009g, cat. no. 6359.0

Of Australia's 10.7 million employed workers aged 15 years and over in November 2009:

- Just over 6.5 million (or 61 per cent) had leave entitlements.
- Just over two million (or 20 per cent) did not have entitlements.
- Just over one million (10 per cent) were independent contractors.
- Just under one million (or nine per cent) were other business operators.

Although the FOES definition of 'employee' would have been beneficial to use in this analysis, the level of industry detail available in the survey has meant that it has not been of use in this report. Most employment statistics, particularly those looking at the sub-industry and sub-sectoral level, use the quarterly LFS, as it is the only survey release where detailed industry information is available. Where other ABS survey sources have been used, it is not possible to distinguish between 'employees' and other persons employed. Consequently, much of the employment data provided in this report looks at the whole industry workforce, rather than isolating employees. Table 1.2 catalogues the ABS sources used in this report.

Table 1.2: ABS statistical sources

Publication name	Catalogue number
<i>Australian Industry</i>	8155.0
<i>Australian Labour Market Statistics</i>	6105.0
<i>Australian National Accounts</i>	5206.0
<i>Employee Earnings and Hours</i>	6306.0
<i>Forms of Employment</i>	6359.0
<i>Labour Force, Australia</i>	6202.0
<i>Labour Force, detailed</i>	6291.00.55.003
<i>Survey of Education and Work</i>	6227.0

Fifteen stakeholder interviews were undertaken with people in industry associations, unions, and large employers. Details of these interviews are presented in Table 3. An interview was also undertaken with an employee of the Fair Work Ombudsman to provide further contextual information.

Table 1.3: Stakeholder matrix

	Repair and Maintenance	Personal and Other Services
Union	4	2
Industry group/peak body	2	3
Large employer	1	3
<i>Total</i>	7	8

Stakeholders were asked questions on the following topics:

- an industry overview, examining factors currently affecting the industry and business performance
- business operations, examining business performance specifically, issues of recruitment and retention
- a discussion of the impacts of increased minimum wages
- how wages and conditions are set
- whether bargaining occurs, and the nature of bargaining
- the direct and indirect, or flow-on, effects of minimum wages on the enterprise and the industry.

Following the stakeholder interviews, 30 employees were sampled from the Australia at Work database. The purpose of this was ease of sampling—only those employees who had indicated they were willing to be involved in qualitative research were approached. Table 1.4 presents the distribution of the employees in the sample. The number of people interviewed in each sub-sector was chosen according to the relative distribution of employees in the industry as a whole. For example, as the automotive repair and maintenance sub-industry accounts for 28 per cent of employees in the industry, a total of eight people were interviewed, making up 27 per cent of the sample.

Table 1.4: Employee interview matrix

	Sample (N)	Sample (%)	Actual (%)
Repair and Maintenance			
Automotive Repair and Maintenance	8	27	28
Machinery and Equipment Repair and Maintenance	3	10	17
Other Repair and Maintenance	2	7	3
Personal and Other services			
Personal Care Services*	6	20	23
Funeral, Crematorium and Cemetery Services	1	3	1
Other Personal Services	3	10	12
Religious Services	3	10	7
Civic, Professional and Other Interest Group Services	4	13	9
Total	30	100	100

Employee interviews were focused on the following:

- work histories and job mobility, particularly in low-paid work; how employees came to work in the sector
- how employees see their future in the sector
- matters relating to conditions, hours and wages
- prevalence of multiple jobs and precarious forms of employment

- how past wage movements have affected conditions, hours and wages
- how past wage movements have affected living standards
- experiences of bargaining and involvement in wage-setting.

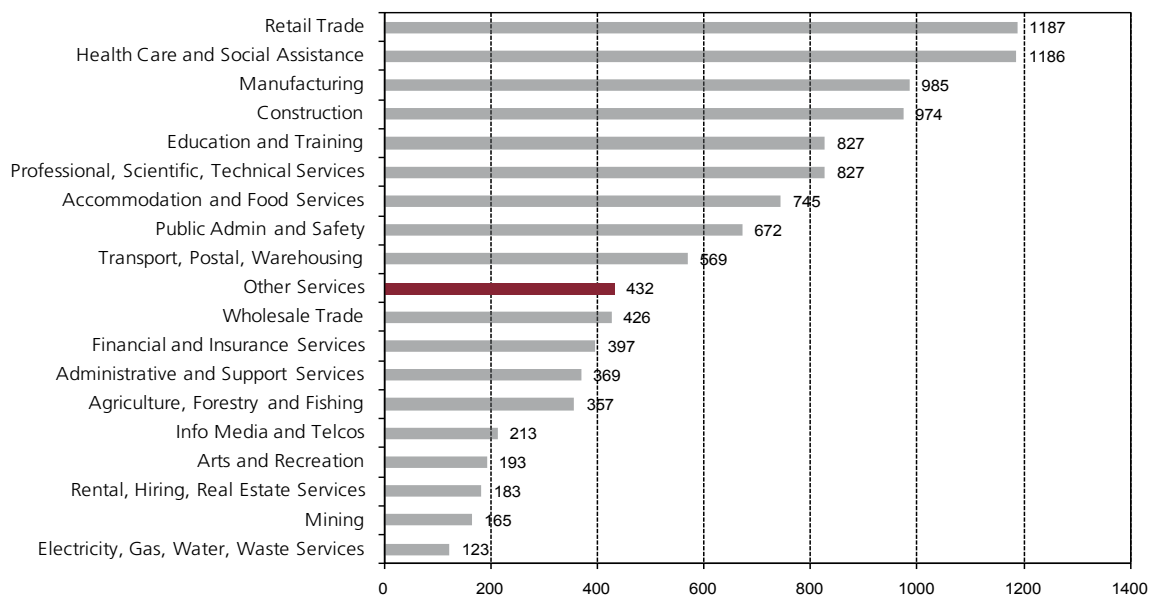
3 The sector

3.1 Industry context

The Other Services industry is a \$48.7 billion dollar industry (ABS 2009a), contributing 1.8 per cent to national Gross Domestic Product (ABS 2009f). The sector provides more than 430 000 jobs in Australia, comprising around four per cent of national employment (see Figure 2). Within the sector, motor mechanics, panel beaters and metal fitters account for more than 73 000 of these jobs, with a further 84 000 jobs attributable to hairdressers and beauty therapists. Together all of these occupations represent more than 36 per cent of total employment in the industry.

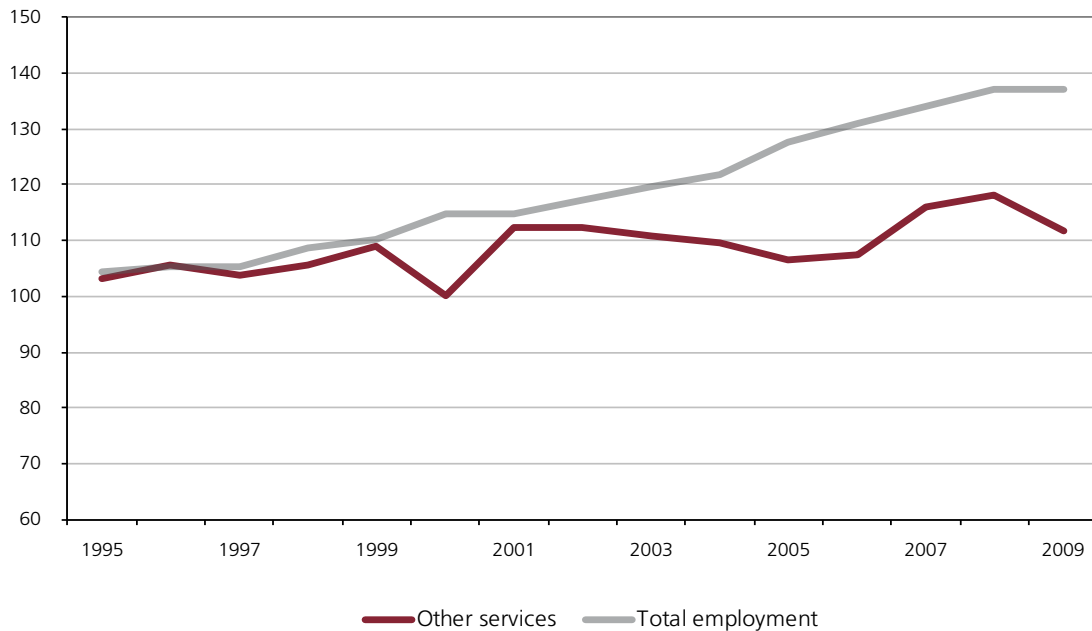
The proportion of total employment attributable to the Other Services sector has shrunk from 4.9 per cent to four per cent over the last 15 years. In absolute terms, it has increased from around 384 000 to 430 000 jobs. Figure 3.2 illustrates the industry job growth trend relative to the overall labour market and highlights the lack of steady, positive job growth.

Figure 3.1: Total employment by industry, 2009 ('000)



Population: All persons employed

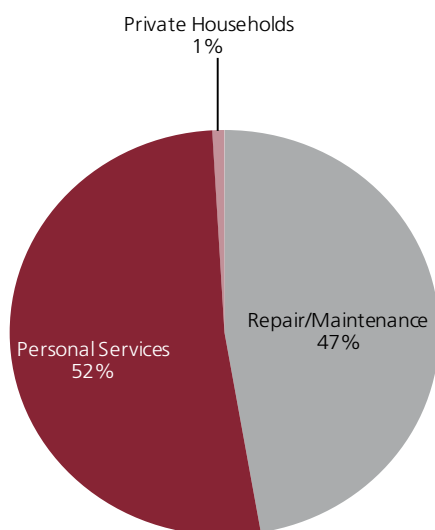
Source: ABS 2009c, cat. no 6291.0.55.003

Figure 3.2: Growth in employment in Other Services, 1994–2009, base index = 100

Population: All persons employed

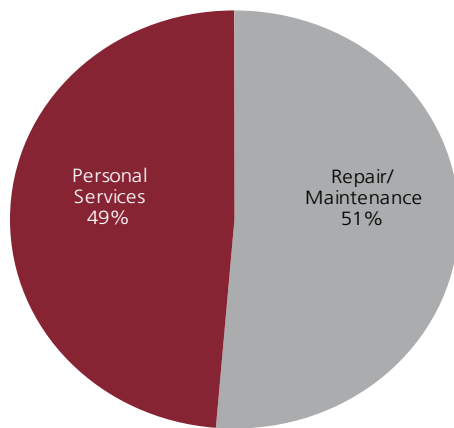
Source: ABS 2009c, cat. no 6291.0.55.003

The industry itself is divided evenly between the sub-sectors Repair and Maintenance and Personal and Other Services according to employment and revenue share, as shown in Figures 4 and 5. However, divergences are evident not just between these two categories, but also within them, with respect to business pressures, employment relations and employee experience.

Figure 3.3: Other services sub-sector employment share, 2009, (%)

Population: All persons employed in Other Services

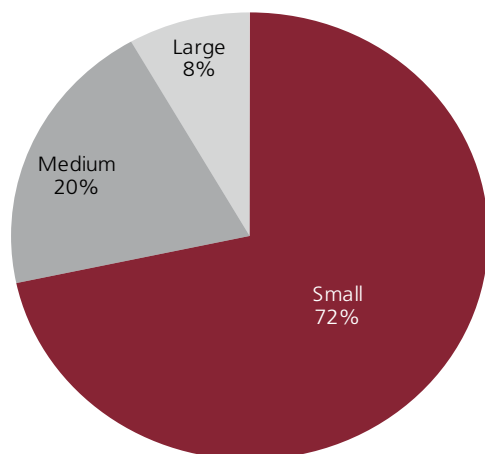
Source: ABS 2009a, cat. no. 8155.0

Figure 3.4 Other services sub-sector revenue share, 2009, (%)

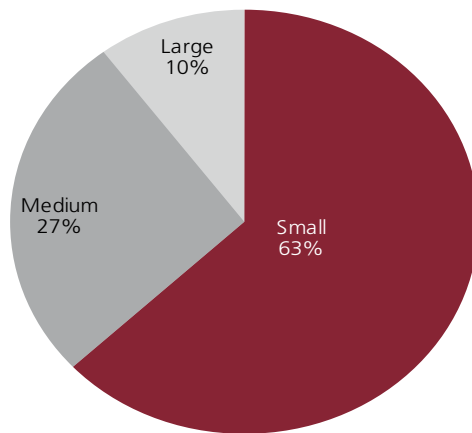
Source: ABS 2009c, cat. no 6291.0.55.003

3.2 The impact of market structure

The Other Services sector is dominated by small business enterprises. More than 70 per cent of employees are employed by small businesses, compared to a national average of around 50 per cent (ABS 2009a). Similarly, over 60 per cent of industry revenue is derived from small businesses, compared to a national average of 36 per cent. Figures 6 and 7 show the employment and revenue shares, respectively, of small, medium and large firms in the Other Services sector.

Figure 3.5: Other services employment share by firm size, 2009, (%)

Source: ABS 2009a, cat.no. 8155.0

Figure 3.6: Other Services Revenue share by firm size, 2009, (%)

Source: ABS 2009a, cat.no. 8155.0

The prevalence of small firms signifies a low concentration of firms across the sector, characterised by relatively low levels of product differentiation, few barriers to entry, high levels of customer bargaining power, and relatively low profit margins. The prevalence of small firms providing services such as hairdressing, automotive repair, and dry cleaning may suggest some commonality to the nature of industry pressures faced. Stakeholders in the hair and beauty industry discussed the nature of customer bargaining power and its effects on the ability of hair and beauty firms to price their services, for example:

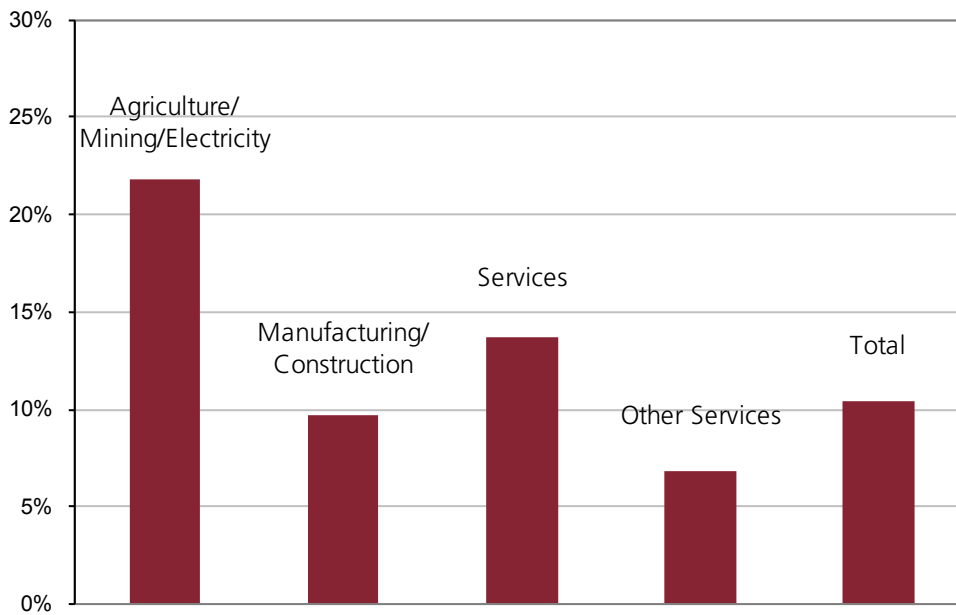
'These two industries [hair and beauty] are so driven by what consumers are willing to pay ... if the mass nail bar is able to reduce the price of offering then they will drive down the prices of the other providers. [What you] find is this changing market in the beauty industry. So the mass nail bar has actually reduced the price of offering [of] what was a highly lucrative service which is say acrylic nails, and what you're finding is other beauty therapy salons that offer more skin type services, they just don't do nails anymore' [Stakeholder, Personal Care Services, Industry Group]

And similarly for the sex services and film processing industries:

'You've got the fact that people are able to change workplaces quite readily and do [in sex services], and you have what people will pay and are happy to pay affecting it [prices] ... most people in the industry would say that the prices in the industry haven't risen over many years and haven't increased with the cost of living.' [Stakeholder, Other Personal Services, Industry Association]

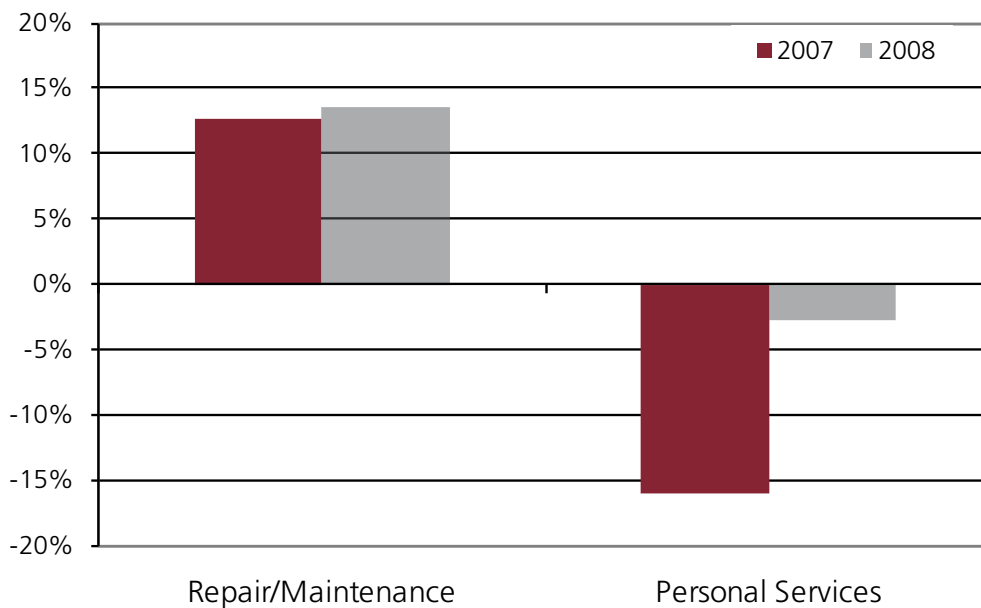
'Once upon a time it was the domain of little processing houses and now it's become pretty much the domain of the mass marketers, Woolworths and Harvey Norman. The little guy simply can't compete. Fifteen cents a print is actually below their cost price.' [Employee, Other Personal Services, Photographic Film Processor].

Indeed, ABS data relating to industry profitability in 2007–08 indicates that the Other Services sector was well below-average in terms of profit margins compared to an economy wide benchmark. The Other Services sector as a whole had Earnings Before Interest and Tax (EBIT) margins of just 6.8 per cent in 2008, compared to a national benchmark of 10.4 per cent—see Figure 8. In aggregate, the sector shows less propensity to generate profitable outcomes than other Australian industries.

Figure 3.7: Australian industry profit margins, 2008, (%)

Source: ABS 2009a, cat.no.8155.0

It is emphasised that the aggregate experience masks a wide dispersion of outcomes across the different sub-sectors. It is likely that differences in business pressures and management practices would lead to a wide distribution of outcomes in terms of business viability and profitability. Indeed, ABS data disaggregating the sector into Repair and Maintenance and Personal and Other Services categories shows a strong disconnect between the two. Figure 3.8 shows that profit margins have been under substantial pressure in the Personal and Other Services sector, with EBIT margins around -3 per cent in 2008. This compares to profit margins exceeding 13 per cent in the Repair and Maintenance sector, and to a national benchmark of 10.4 per cent. Over a quarter of all Personal and Other Services businesses were loss-making in 2006–07 (before the economic downturn), compared to less than nine per cent of Repair and Maintenance businesses (ABS 2009a).

Figure 3.8: Other services sub-industry profit margins, 2007–08, (%)

Source: ABS 2009a, cat.no.8155.0

As there are a large number of enterprises in a highly competitive environment in the Other Services industry, it can be characterised as 'low-concentration'. Strong competitive pressures are not exclusive to low-concentration industries such as those typified by the Other Services sector. Indeed, high concentration industries such as banking and telecommunications, with sophisticated, large employers are also characterised by high levels of competition within parts of those sectors. One section of the Other Services workforce, telecommunications repair and maintenance workers, has experienced this kind of industry pressure (notwithstanding technological and regulatory changes), which was characterised by a number of interviewees as:

'... very competitive and it will be increasingly competitive. It seems to be in a really strong state of technological change as the old revenue streams, and I'm talking like home phones and stuff and even to the lesser extent fixed internet at the home sort of arrangements have declined and wireless technology accelerates ... It invites, because of the nature of the technology changing, new players all the time and a struggle just to control your historical costs and find new revenue streams basically.' [Stakeholder, Other Repair and Maintenance, Employer]

'... competitive pressures are fairly intense and there's a lot of pressure on industry margins, so that will continue ... this is a high fixed-cost industry, so when there's pressure on margins, you take it out in your labour costs.' [Stakeholder, Other Repair and Maintenance, Union]

The telecommunications industry is particularly unusual in that product pricing is constrained by both regulatory review and competitive intensity, yet the largest employers are so dominant that labour pricing has effectively been brought 'in-house'.

'... we pay well above the minimum wage. In the industry itself ... communications, installation, maintenance ... we sort of set the benchmark of the industry there in terms of the wage.' [Stakeholder, Other Repair and Maintenance, Employer]

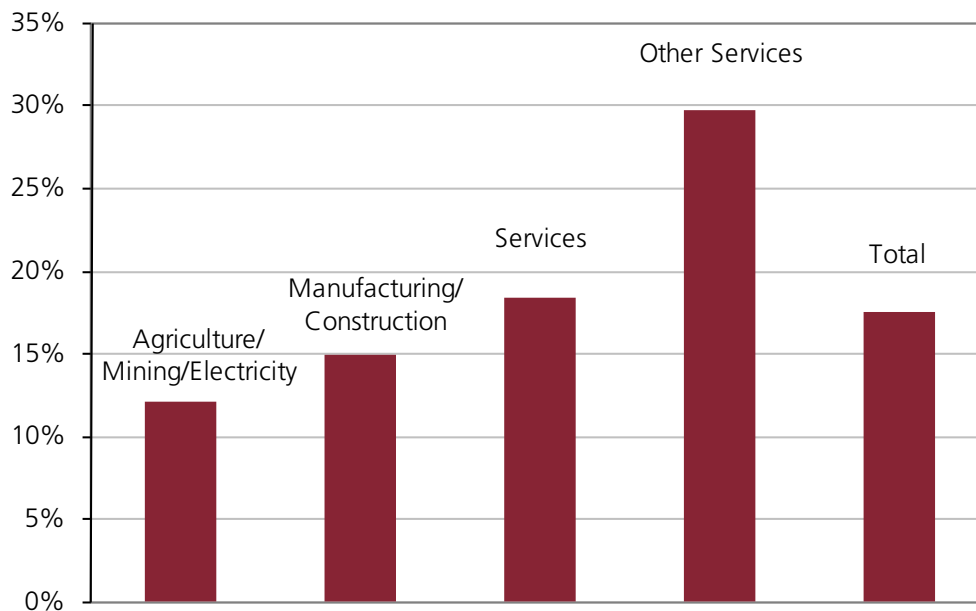
'So there are two competing pressures: there's what can actually be earned as a result of regulation and then ... depending on what area, mobiles, internet, or broadband, whatever, it's a fight for margins. So they're very focused on containing cost but with [name] it's been about the best way to maintain cost is to limit the influence of external parties on wage-and condition-setting. So then that's posited a particular philosophy or approach on HR.' [Stakeholder, Other Repair and Maintenance, Union]

'These are sophisticated employers that rely heavily on expensive legal advice and HR input and they would have structured their affairs largely ... to take themselves just outside the scope of any active FWAs' ability to influence wage outcomes. A lot of these employers take the view that they would prefer to have the greatest possible impact on wage outcomes themselves rather than have government or external third-party interference which means that, on wage outcomes, it's very hard for government to influence wages in the sector. The best that government can do is influence conditions and wage agreement settings.' [Stakeholder, Other Repair and Maintenance, Union]

3.3 Cost-side pressures

The Other Services sector is similar to other service industries in being relatively labour-intensive, as evidenced by the proportion of its cost base attributable to wages and salaries. As can be seen in Figure 3.9 below, almost 30 per cent of costs accrued in the Other Services sector are labour costs, compared to an economy-wide benchmark of around 17.5 per cent. Other sectors have been shown for comparison.

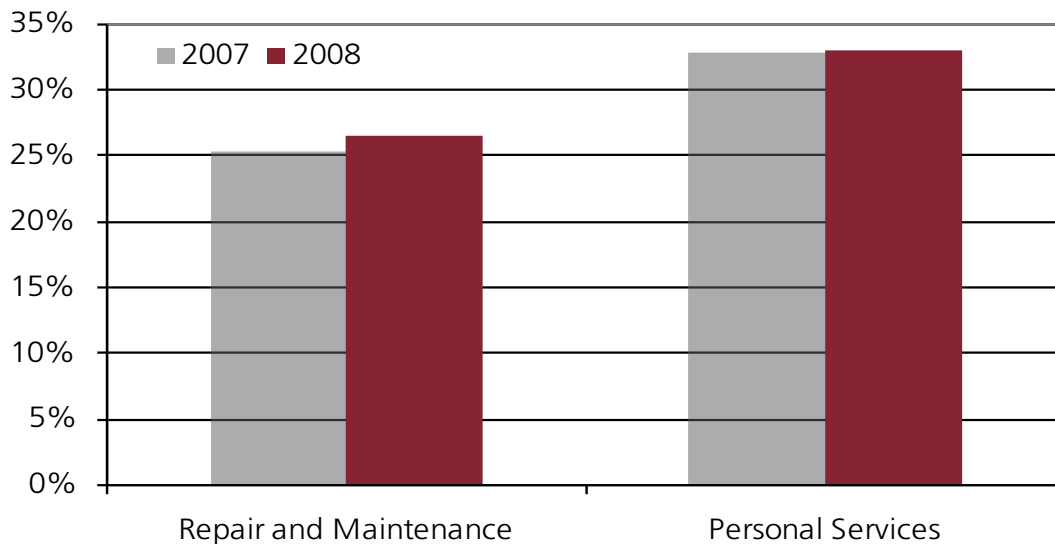
Figure 3.9: Relative labour costs by industry as a percentage of total cost base, 2008



Source: ABS 2009a, cat. no 8155.0

In terms of sub-sector labour costs, Figure 3.8 shows that the Repair and Maintenance Services derives about a quarter of all costs from wages and salaries, compared to around 33 per cent in Personal and Other Services, possibly reflecting a greater investment in inventories and other non-labour costs of goods/ services sold in the Repair and Maintenance sector.

Figure 3.10: Sub-industry labour costs as a percentage of total cost base, 2007–08

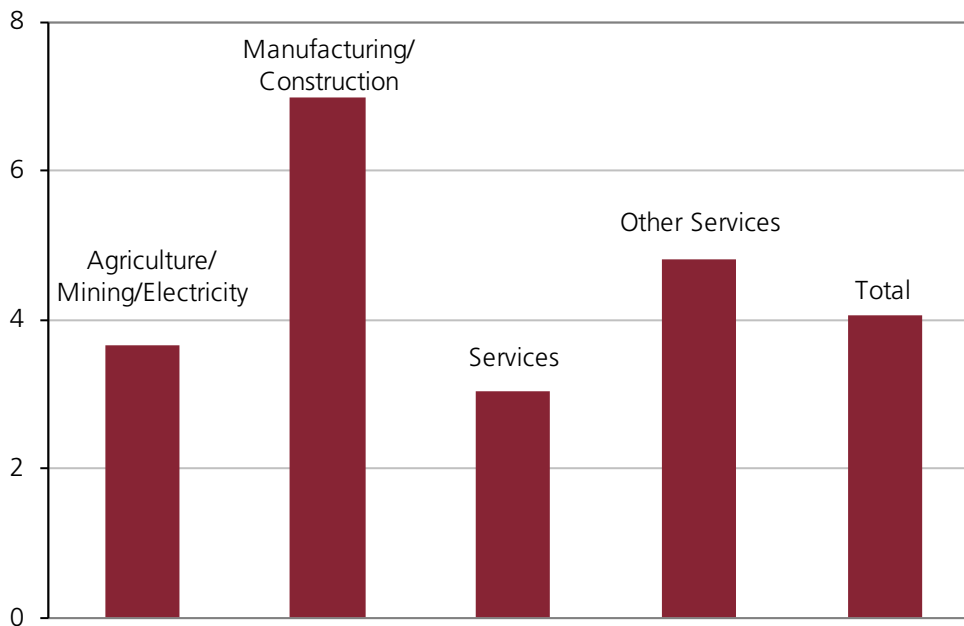


Source: ABS 2009a, cat. no. 8155.0

Despite the dominance of labour costs within the total cost base of these firms, and accordingly, their importance as a lever in driving business performance, labour cost movements have been largely predictable and steady. Across the stakeholder interviews, movements in minimum wages ranked below other business considerations such as the level of demand, the threat of competitors, the volatility of other costs, and recruitment and retention of staff. This overarching theme was captured by one interviewee:

'In the main, regular moderate predictable increases in minimum wages are no shock, no surprise to the proprietors of these [small] businesses, and nothing like the unexpected developments of the global financial crisis or a fiscal stimulus package, or a sharp increase in oil prices, or ... a sudden and pronounced change in exchange rates. The degrees of uncertainty that attach to those business variables is much greater than attaches to minimum wage rates and to variation in minimum wage rates ... [the minimum wage would be] a third or fourth order consideration.' [Stakeholder, Civic and Other Interest Groups, Union]

During the financial crisis beginning in 2007, significant concerns regarding businesses' access to capital markets and solvency arose, and it is therefore informative to consider the interest-servicing burden facing the Other Services sector. While there is no data relating to debt levels available at industry level, in its place data on interest coverage as an indicator of debt-servicing requirements is provided. This is defined as Earnings Before Interest and Tax (EBIT) relative to interest expense, and provides an indication of the level of financial stress faced by firms in the industry. A higher level of interest coverage signifies a higher level of profitability relative to interest payment requirements. Figure 3.10 indicates that the Other Services Sector enjoys a slightly above average interest coverage ratio, given its level of profitability, with interest coverage of 4.8, compared to an economy wide ratio of around four.

Figure 3.11: Interest coverage ratio by industry, 2008

Source: ABS 2009a, cat. no. 8155.0

Again, it is emphasised that this aggregate measure is not representative of the experience of individual sub-sectors. One stakeholder in the Automotive Repair sector flagged debt-servicing as the key concern for automotive repair firms:

'Well, some of the key challenges would be for them to, if you like, look at their businesses to see how they are capitalised because that's one of the difficulties in the last 18 months is that a lot of the businesses, even some of their key component suppliers to the industry, they were not appropriately capitalised ... they did not have enough liquidity in their business to survive.' [Stakeholder, Automotive Repair and Maintenance, Union]

3.4 External factors

The global financial crisis has demonstrated the interconnectedness of global industry and finance. Indeed, the macroeconomic shocks of 2007–08, including government policy responses, dominated business concerns for employers in the Other Services sector and dictated their performance to a far greater extent than issues involving wage-setting or minimum wages. The impact of the volatility and contractions of the economy during the crisis were drawn out by a number of interviewees from the Automotive Repairs, Hairdressing and Laundry Service sectors:

'The sector [Automotive Repair] is always kind of very fragile at one level because it's inherently reliant on the selling of vehicles and also the manufacturing. There is this part of it because in Australia the amount of cars manufactured is reducing, and yet at the same time there is a lot of demand for the existing vehicles to be repaired and serviced. So overall the sector is in a better position than it was, say, 12 months ago or 18 months ago, and there is clearly evidence that those employers in the repair service who do good work continue to have a good healthy business.' [Stakeholder, Automotive Repair and Maintenance, Union]

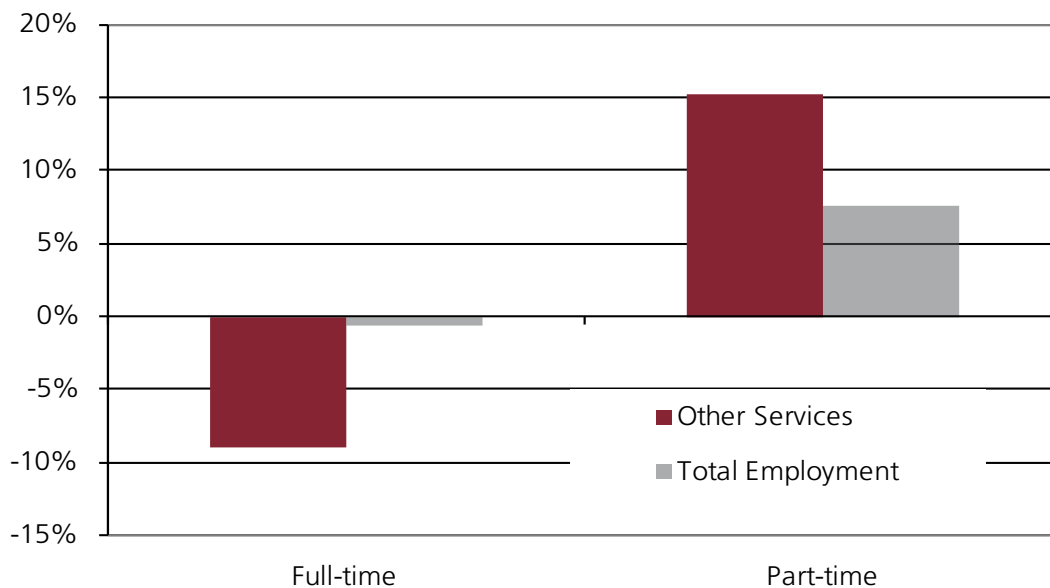
'The general repairer is now feeling that everyone's tightened their belt. The routine services are dropping off and you're seeing the car more for repairs. So where I'd see your car for a six-monthly service, the next time I see you come through my door is when you come in and say, 'Peter, I've got this terrible grinding noise on my brakes when I apply them,' and I say, 'Well, look, you haven't been in for a service for well over 12 months, your car needs to be serviced every six ... But because of the tightness of the economy and your budget restraints, you say ... 'do I put food on the table or pay my rent or pay for my health insurance or do I take the car in for service?' [Stakeholder, Automotive Repair and Maintenance, Peak Body]

'... the only difference that I've noticed is people coming every six weeks for a cut and colour, well they might spread it out to seven weeks or eight weeks, or you know they come in for their cut and colour and they might say well we won't do the foils this time we'll just do the regrowth application ... so therefore you're cutting off \$30 at the end of the bill.' [Employee, Personal Care Services, Hairdresser]

'... the hotels and the restaurants and that sort of stuff, well, the hotels and [company name] and the airlines were affected by 9/11. That was a big challenge [for the laundry sector]. The other one was the big financial crash of last year and the end of the year before. That had a bigger impact on the laundry industry because what happened was a lot of the hotels lost business ... people weren't travelling around so much, they weren't staying in accommodation and hotels and that sort of stuff.' [Stakeholder, Personal Care Services, Union]

The impact of the global downturn was, however, ultimately felt in the channels of the labour market. It has been well documented that Australia's headline unemployment rate withstood much of the pressure of the global financial crisis through a downsizing in workforce hours, rather than workers. This has been highlighted by growth in part-time work, with reductions in full-time work in certain hard-hit sectors of the economy (such as manufacturing). This has been markedly reflected in the Other Services sector. Figure 3.12 shows that between August 2007 and August 2009 (roughly the period spanning deterioration in the economy), full-time jobs in the Other Services sector declined by nine per cent, while part-time work grew by over 15 per cent. This compares to flat growth in full-time work, and 7.6 per cent growth in part-time work, across the broader Australian economy over the same period. While net job losses have been experienced, they appear to have been cushioned by the flexibility in working hours.

Figure 3.12: Employment changes during the downturn, August 2007 to August 2009 (%)



Population: All persons employed

Source: ABS 2009c, cat.no 6291.0.55.003

In 2009, the Australian Fair Pay Commission chose to maintain the Federal Minimum Wage and Australian Pay and Classification Scale (previously award rates of pay) in response to the pressures of the global financial crisis on Australian businesses. There are high levels of award-reliance in the Other Services sector (discussed further in section 4.4), and as such, a number of interviewees commented on 'windfall' gains to employers who had largely factored a modest increase in labour costs. Interviewees also commented on the duress maintaining the Federal Minimum Wage placed on low-earning families, whose incomes would fail to keep pace with the cost of living throughout 2009 and 2010:

'The failure to increase minimum wages in 2009 would most certainly have had an impact on the living standards of award-reliant workers. And in this particular event that was substantially cushioned by the one-off payments made [as part of the fiscal stimulus package] ... It would've delivered a small windfall gain to some small employers, but the policy responses to the global financial crisis are the dominant factor, far and away the dominant factor, explaining the performance of the Australian economy over the course of 2009.'

[Stakeholder, Civic and Other Interest Groups, Union]

In addition to the global financial crisis, issues of technological and regulatory change represent significant external concerns for some sub-industries represented in the Other Services sector. These sub-industries include telecommunications repair and maintenance; automotive repair; textile and clothing repair, photographic processing and sex services. Some of these changes have arisen as a result of regulatory reform. For example, the telecommunications industry has seen an explosion in new technologies in competitively intense sections of the market, as well as major regulatory changes (the Telstra privatisation, pricing regulation and plans for the National Broadband Network). These external factors have long-term effects not only on business production strategies, but also on labour and skill needs — reflected in the decline in the level of photo processing and telecommunications repair workers, in the legal treatment of sex workers, and in the increasing level of specialisation among automotive repair workers.

In contrast, a number of these changes result from consumer preference, and the resultant changes in

demand for business. Whilst the nature of these issues amongst such fragmented sub-industries is not universally alike. The following examples provide detail of the impact of technological change in the telecommunications repair, automotive repair, textile and clothing repair, and sex service industries.

'I guess it's summed up pretty much in one word: digital. It's totally changed. The lab that I ran before was primarily a commercial lab. We dealt with commercial photographers advertising fashion and that type of thing, and it was all shot on colour transparency, which we processed, and we were doing let's say 350–400 rolls a day. And that's when, in Adelaide, there were six laboratories that did that. Today, I think there's two of us that do it and I might do on average maybe 10 to 15 rolls of film a day and that's all because of digital. It's all shot on digital cameras, manipulated in-house or the photographer employs a digital technician to manipulate and that just goes straight to the ad agency or whoever so there is no need for film and basically the laboratory is completely passed over.' [Employee, Other Personal Services, Photographic Film Processor]

'... our workforce in that field [Telecommunications Repair and Maintenance] would have been four times as big 15 years ago. That's a rough guess. There's been significant downsizing because, there's a number of factors really, the phone network has become stabilised, the technology has gotten better and the technology is moving from home phones to mobile phone technology and wireless which means there's less requirement for people to fix and install home phones.' [Stakeholder, Other Repair and Maintenance, Employer]

'... everything goes up on this exponential curve in computers. Well, the electronics in motor vehicles are much the same so there is—pressure is put to bear where people are getting cars brought in for them to service and they [automotive repair workers] think, "Geez, I've never worked on that, I've never seen it before, I don't know what it is," and they're now scratching their heads saying, "How do I service that? How do I fix that?"' [Stakeholder, Automotive Repair and Maintenance, Peak Body]

'In the clothing sector one of the global trends is that there's actually a move to what's described as fast fashion, or disposable fashion, so in fact around the world you see more and more purchasing of much cheaper, generally imported garments that are really not designed for any longevity. So the notion that you would buy something that might cost you \$10 or \$15 and then pay in excess of that to get it repaired of course doesn't make sense. So you've got one trend of increasing amounts of garments flooding the market that are cheap and are not designed for long-term wear, and the consumer has an expectation that they're only going to be wearing them for a shorter period of time so the notion of repairing garments like that, nobody's going to repair them, so there'd be a reduction in work as a result of that.' [Stakeholder, Other Repair and Maintenance, Union]

In addition to technological change that has resulted from regulatory reform, the Other Services sector has also undergone significant change from other varieties of regulatory change. Examples include the following:

'I think the structural change that I'm talking about has been driven by deregulation and privatisation [of the telecommunications industry]. The [wage] instruments that have been available inside [company] are to bring about some of those changes, have been brought about by government legislation. There's AWAs and so on, which also have been a mechanism for introducing piece rates into [company].' [Stakeholder, Other Repair and Maintenance, Union]

'So New South Wales is decriminalised so it means that places [brothels] are either operating under council approval or not ... And then you have the scenario of both Victoria or Queensland, where we have what is called a licensing framework that's often referred to as legalisation and it creates a distinct divide within the industry because it's extremely difficult to get a licence and it has in fact resulted in the majority of the industry working outside of the licensing framework ... And we have entire states where effectively it's illegal to operate a brothel yet there's 30 or 50 in that area ... my point is that because the legislation which regulates the industry varies across the country, it means that in fact legal and illegal or compliant and non-compliant is largely a farcical division in our industry.' [Stakeholder, Other Personal Services Industry Association]

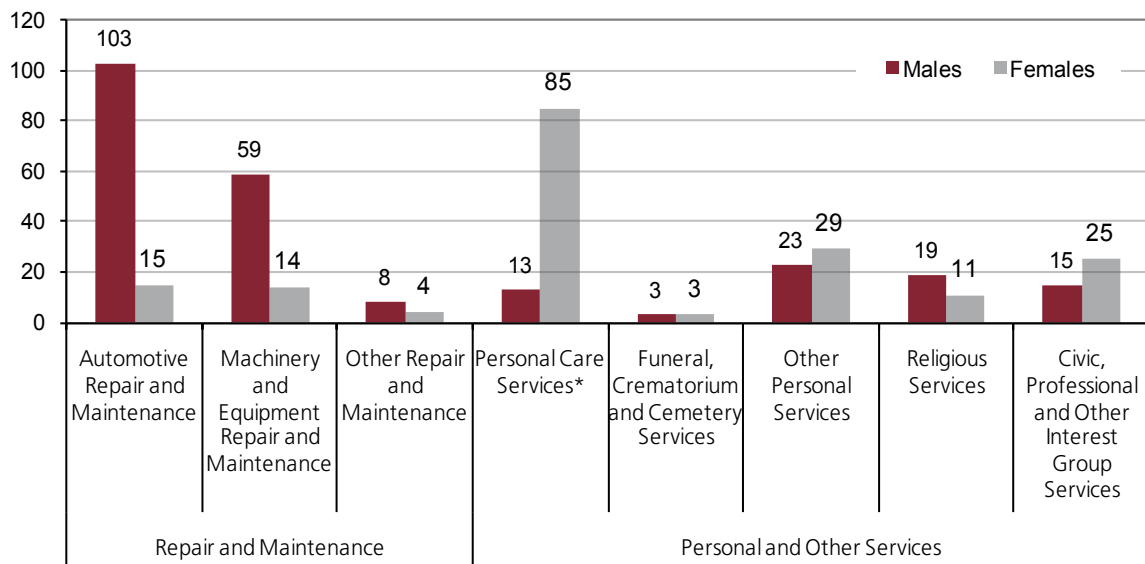
4 Work and employment in the sector

4.1 The workforce

This section focuses on all those employed in the Other Services industry, according to the ABS LFS definition, discussed earlier in Section 2. This definition includes employees remunerated in wages, salaries, retainer, commission, piece-rates or payment in-kind, as well as those who operate their own incorporated enterprise, plus employers and own-account workers.

The Other Services industry is characterised by a prominent gender aspect, with men making up the majority (84 per cent) of employed persons in Repair and Maintenance, and women making up the majority (75 per cent) of employed persons in Personal and Other Services. It was noted by one interviewee that not only were around 80 per cent of laundry workers female, but within that group, a further 80 per cent would be from a non-English speaking background (estimates from Stakeholder, Personal Care Services, a union). Figure 4.1 provides a detailed gender breakdown of the industry.

Figure 4.1: Sex distribution by industry subdivision and grouping, 2009, ('000)



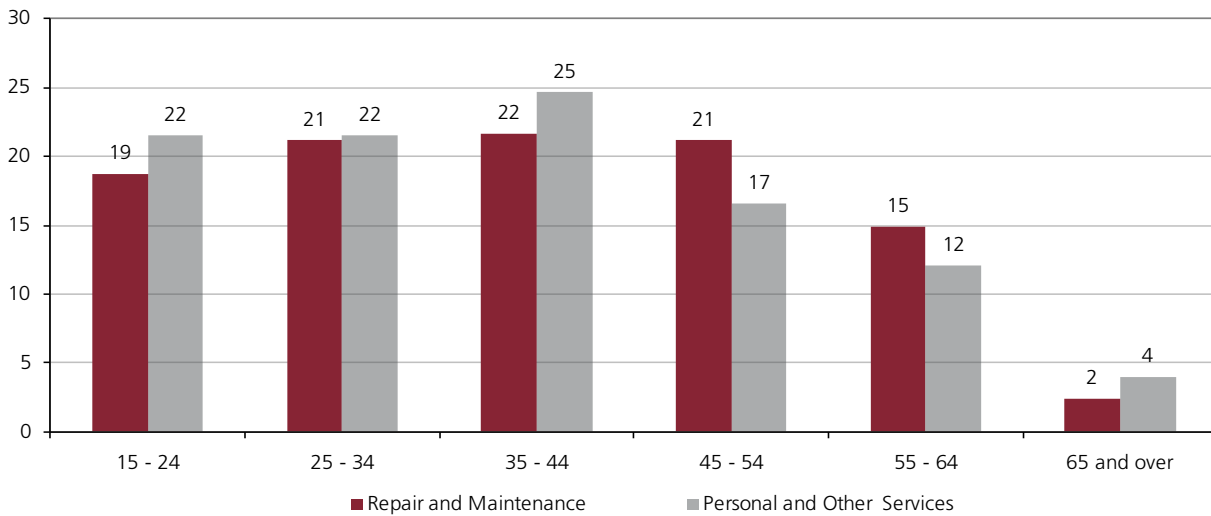
Population: All persons employed in Other Services
Source: ABS 2009c, cat. no. 6291.0.55.003

There is a similar age distribution for those employed in Repair and Maintenance and Personal and Other Services, with the majority of those employed in the 35 to 44 age grouping. It is notable that within the broader workforce, there are significant pockets of age concentration, for example in hairdressing, where more than 35 per cent of workers are under 24 (see Occupation focus point B for further details). Conversely, the ageing workforce is a key concern in areas such as Telecommunications Maintenance (particularly with the implementation of the National Broadband Network), with one respondent noting that:

'... [the average age is] maybe 50 in this particular area you're talking about, that fit and fix come technical support area ... we've got examples where people at 70 years of age have had to be called back to do work.'
[Stakeholder, Other Repair and Maintenance, Union]

The age distribution of the Other Services industry is provided in Figure 15.

Figure 4.2: Age distribution by industry subdivision, 2009, (%)



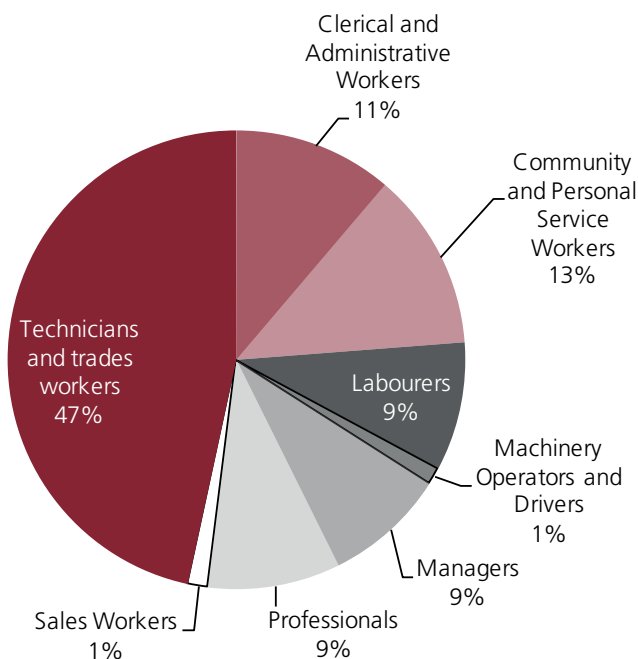
Population: All persons employed in Other Services

Source: ABS 2009, cat. no. 6291.0.55.003

Note: Does not include Private Households Employing Staff and Undifferentiated Goods and Service-Producing Activities of Households for Own Use, as cell sizes are too low

In terms of occupational distribution, the largest occupational grouping in Other Services is Technicians and Trades Workers, who account for 200 000 workers (or just under half of all persons employed in the industry). Professionals and Managers comprise a further 18 per cent of the workforce. There are very few Sales Workers and Machinery Operators and Drivers employed in Other Services. This is illustrated in Figure 16.

Figure 4.3: Occupational distribution, Other Services, 2009, (%)



Population: All persons employed in Other Services

Source: ABS 2009c, cat. no. 6291.0.55.003

As given by the ANZSIC (2006) classification framework, the industry is divided into many heterogeneous sub-sectors. The sector itself is highly fragmented in terms of the occupations within it. Table 4.1 shows that while hairdressers and motor mechanics form a significant proportion of the sector's workforce, a substantial proportion lies outside the top ten occupations classified as belonging to the Other Services sector.

Table 4.1: Top 10 occupations within Other Services, 2009

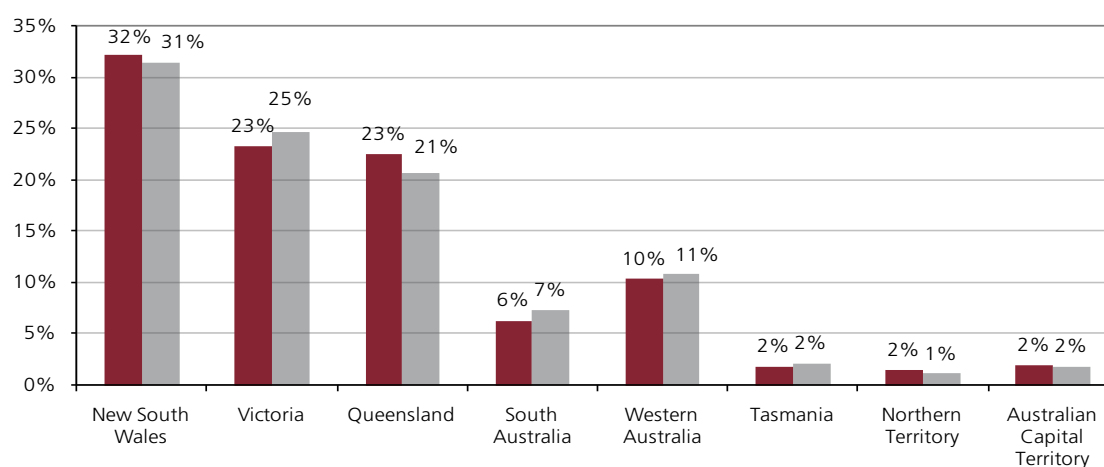
Top occupations	000s	%
Hairdressers	59.7	13.8
Motor mechanics	43.6	10.1
Beauty therapists	24.8	5.7
Metal fitters and machinists	17.3	4.0
Ministers of religion	12.6	2.9
Panelbeaters	12.2	2.8
Laundry workers	10.3	2.4
Fitness instructors	10	2.3
Airconditioning and refrigeration mechanics	8.6	2.0
Electronics trades workers	8	1.9
Other	224.9	52.1
Total	432	100.0

Population: All employed persons in Other Services

Source: Department of Education, Employment and Workplace Relations 2010

Geographically, workers in the Other Services industry are distributed around the country in line with the broader industry, with around one-third of the workforce based in New South Wales (see Figure 4.4 for details).

Figure 4.4: Employment by state: other services, 1996-2009, ('000)



Population: All persons employed in other services

Source: ABS 2009c, cat. no. 6291.0.55.003

A number of regional interviewees emphasised the contribution of the mining industry to recruitment and retention difficulties for other local industries, given their inability to compete on wages. This was particularly the case for the Automotive Repair sector, and remains an ongoing issue:

'I've got to say in Sydney, they [automotive repair workers] would probably be on the minimum wage. Now, in the bush ... to attract him, he's probably being paid a little bit more than minimum wage because ... [there are] towns where you can't get a young chap to come.' [Stakeholder, Automotive Repair and Maintenance, Peak Body]

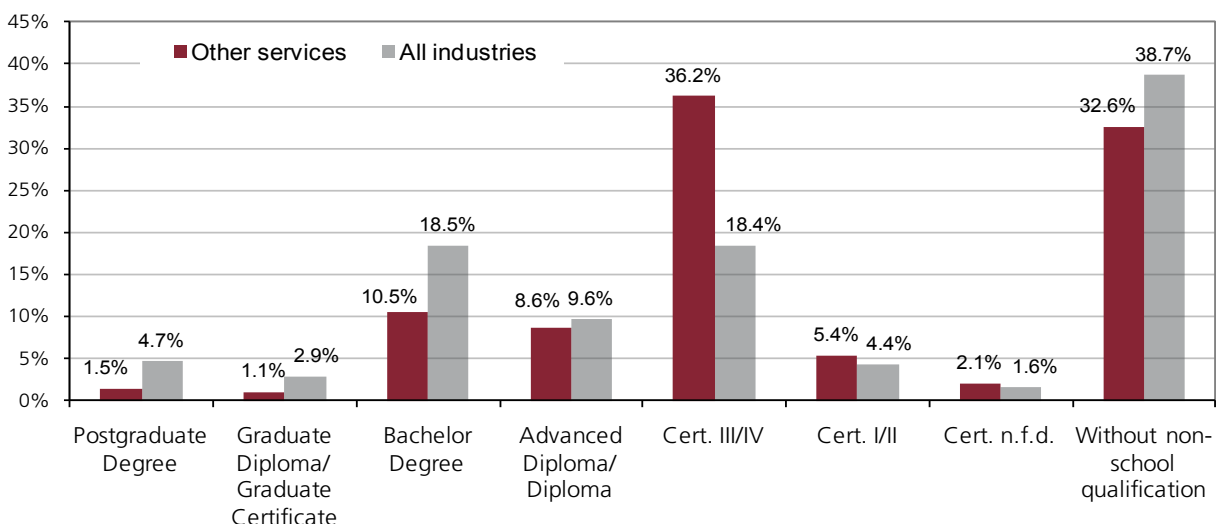
' ... when a dealership in a small country town or when a [n automotive] repairer in a small country town sets up and tries to build a name for himself and tries to get his business ticking over in that country town, these mining people have a budget that Tatiana couldn't pole vault over. And that's where it's very hard.' [Stakeholder, Automotive Repair and Maintenance, Peak Body]

'The biggest thing that affected us was people moving out to go and work in mining. So you'd have people working in hairdressing salons and or you'd have people working in retail or washing ... they could get \$80 000 doing the same job up at the mines. Now what happened is that had such a pull effect that ... those organisations paid the employees more to stay.' [Stakeholder, Personal Care Services, Industry Group]

Workers in the Other Services industry are more likely to have a non-school qualification than the average employee in all other industries (65 per cent compared to 60 per cent). They are most likely to have a Certificate III/IV, with around a third (36 per cent) having this as their highest qualification. This distribution of educational attainment is illustrated in Figure 18.

Figure 4.5: Highest educational qualification by industry division, 2008, (%)

Population: All persons employed
Source: ABS 2009e, cat. no. 6227.0



However, within this broad industry classification, there are groups of workers with below-average levels of educational attainment. For example, more than 80 per cent of laundry workers possess no post-compulsory schooling qualifications (Australian Government 2010). Similarly, more than 61 per cent of clothing trades workers (spread between both clothing repair and manufacturing) have no post-schooling qualifications (Australian Government 2010).

Throughout the employee interviewing process, a strong theme of occupational immobility was found. It

was common to speak to hairdressers, laundry workers and motor mechanics who had moved jobs, and/or locations, but not occupation, over a period of at least five years, and often longer, for example:

'I'm a hairdresser, a senior hairdresser for the last 11 years ... I've moved around. I've worked in country Victoria, Queensland, in the city in Melbourne and then back to the country' [Employee, Personal Care Services, Hairdresser]

'Well, I worked at another laundry [previously] ... I don't mind it at the moment and I've been there six years now. I was at the last one for six years, so it's been a while' [Employee, Other Personal Services, Laundry Worker]

'At 57 years of age in an industry [Photographic Processing] that has changed massively over the last few years, I'm pretty much a dinosaur. So I either do what I do and get paid for it, or find something entirely different which is fairly difficult at 57.' [Employee, Other Personal Services, Photographic Film Processor]

There are two distinct ways to view this trend. First, there is a sense of being trapped within certain occupations, such as laundry work, where there is little task discretion or diversity, few opportunities for training or career development: and minimal flexibility with regards to pay and conditions. The following exchange was typical of laundry worker study participants, for example:

Q 'What kind of skills do you think that you need to do your job?'

A 'None.'

Q 'Why did you decide to go into this type of work?'

A 'Because I haven't got much education and I just wanted to do something that I don't have to use a lot of reading or writing or spelling into it, just do the work.'

Q 'Do you feel that you have much control over your job? That you can choose what you do?'

A 'No ... I work really pretty hard and I go as fast as I can. Yeah, because with the sheet machine, you've got to get so many hours up, so many sheets through in a minute.' [Employee, Other Personal Services, Laundry Worker]

The second perspective, for occupations such as hairdressing and automotive repair work, appears to involve a strong, positive sense of vocation, which is tied to ongoing access to specialised training and skills development (as well as the transferability of automotive repair skills, for example, between different areas of repair and maintenance and engineering). Workers in repair and maintenance, for example, typically gave responses such as:

'I did an apprenticeship with an engineering firm in [location]. I did my time plus the next year. I was there for five years doing my apprenticeship. I went from there to a sausage casing factory and ran maintenance for three years and I was made redundant there because they went contract with their maintenance. I was full time there. After that I went working on a farm. I did that for about 12 years ... just general farming and "mechanic-ing" on the farm and a bit of maintenance on the farm ... I went from there back to having my own workshop for two years. I leased a workshop and did that for two years ... I went to the mill after that ... That's what I'm doing now, freelancing around, contracting myself out.' [Employee, Automotive Repair and Maintenance, Automotive Fitter]

'I was there [starting my automotive apprenticeship] for a year and then I went to [company] for the last couple of years, and then I finally went to this race car place ... and now I'm going to do another apprenticeship, or [aircraft] engineering thing.' [Employee, Automotive Repair and Maintenance Mechanic]

Both automotive repair workers and hairdressers described strong training programmes and opportunities, both as part of their qualification requirements (Certificate III/IV), and as part of ongoing development of their capabilities:

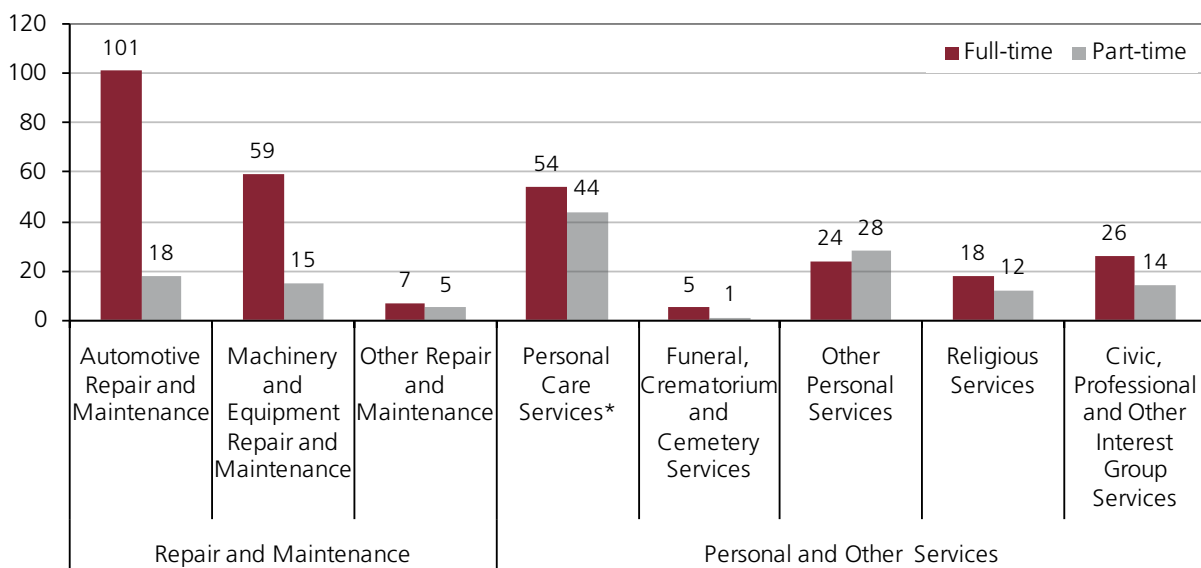
'Through the companies that we work with, a lot of it [training] is cutting and different colouring techniques, styling, things that help me with my trade but more so than what you learn at TAFE, it's not basic, it's furthering what I already know.' [Employee, Personal Care Services, Hairdresser]

'I could because they do offer electronics courses and yeah, there is more courses I could do.' [Employee, Automotive Repair and Maintenance, Automotive Electrician]

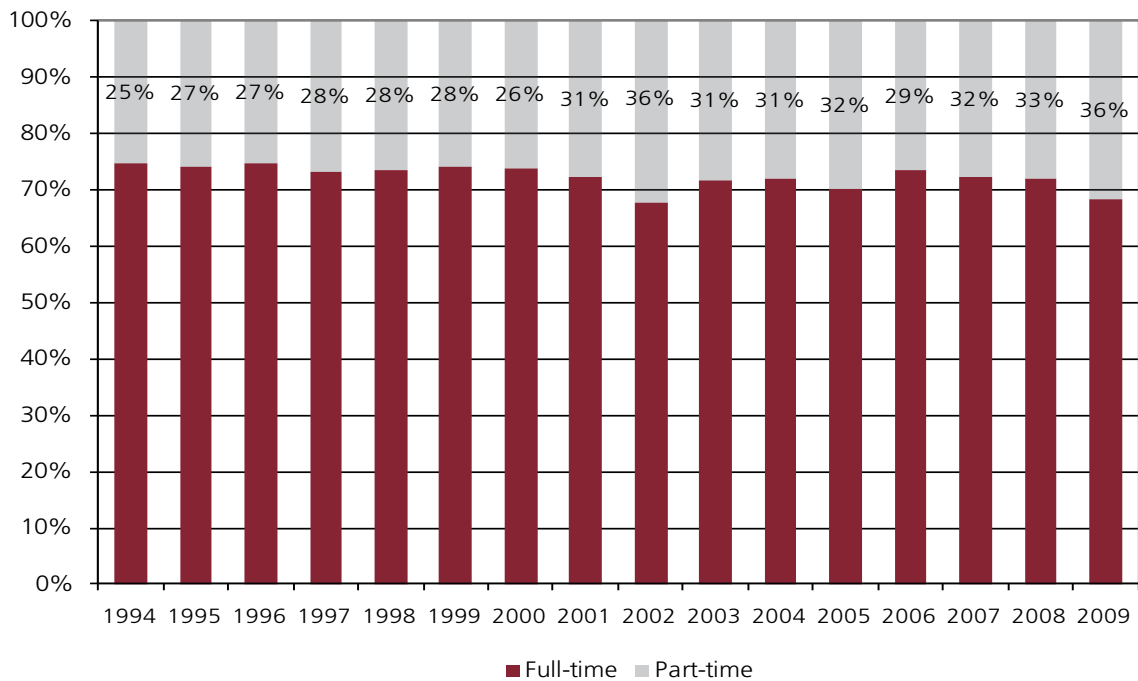
With regards to employment status, full-time employment is common in Repair and Maintenance, with 81 per cent employed on this basis. It is not as widespread in the Personal and Other Services subsection of the Other Services sector, with only 56 per cent employed full time. It is likely that this reflects the gendered nature of the industry (discussed further in Section 6). This is exemplified in the high incidence of male full-time workers in areas such as automotive and telecommunications repair and maintenance, and conversely, an over-representation of women working part time in occupations such as hairdressing, laundry work and clothing repair. Figure 4.6 shows the sub-industry breakdown of full-time and part-time workers.

Figure 4.6: Full-time/part-time status by industry subdivision and grouping, 2009 ('000)

Population: All persons employed in Other Services
Source: ABS 2009c, cat. no. 6291.0.55.003



Furthermore, the proportion of full-time workers has declined over time, falling from 75 per cent to 64 per cent between 1994 and 2009, as shown in Figure 20. This is about double the decrease in full-time employment in the wider population, which fell from 75 per cent to 70 per cent during the same period.

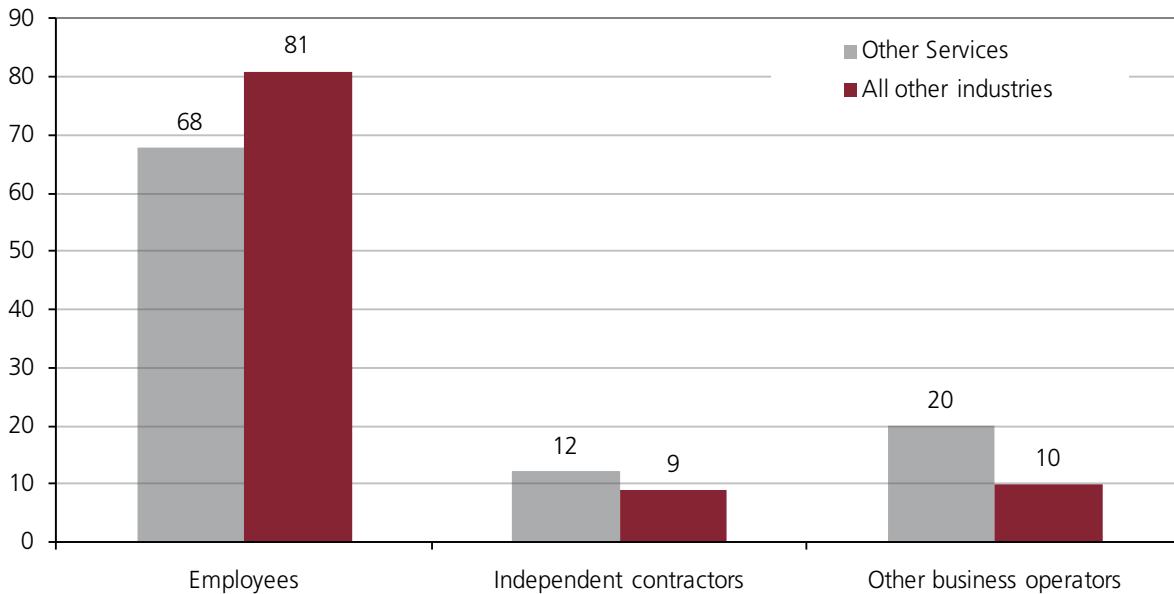
Figure 4.7: Distribution of full-time/part-time status, Other Services, 1994–2009, (%)

Population: All persons employed in Other Services
 Source: ABS 2009c, Cat. No. 6291.0.55.003

4.2 Structure of work

In the previous section, ABS employment data defined employees as those remunerated by wages, salaries, commission, retainer fees, piece rates or payment in-kind, as well as those who operate their own incorporated enterprise. In this section, different distinctions in the workforce are explored: employee, independent contractor, and other business operator as defined in ABS Forms of Employment (cat.no. 6359.0).

The incidence of non-traditional forms of employment was relatively high in areas such as telecommunications repair and maintenance, laundry work, clothing repair and sex work. Indeed, according to ABS data, workers employed in Other Services are much less likely to be employees (81 per cent) than the average of all industries (68 per cent). Workers in Other Services are more likely to be other business operators (20 per cent compared to 10 per cent). Figure 4.8 profiles the forms of employment within Other Services.

Figure 4.8: Form of employment by industry division, 2008 (%)

Population: All persons employed
 Source: ABS 2008a, cat. no. 6359.0

Indeed, the divergent modes of engaging labour tended to drive diverse wage practices, for example, relatively low usage of collectively bargained wage agreements, a high incidence of piece rates, and competition based on driving down and undercutting on labour costs. While, as noted earlier, some sectors are highly award-reliant (for example, hairdressing and automotive apprentices), other sectors clearly fell out of the reach of traditional wage instruments. Interviewees in areas such as telecommunications repair, beauty salons, laundry work, clothing repair and sex services all raised significant concerns as to the inclusiveness of labour market institutions such as minimum wages. This was indicated by key stakeholders in telecommunications repair and maintenance, as seen in the example below:

'Outsourcing, though, has been the mechanism in this fit and fix area, or in-store maintenance as we call it. So the cost-cutting has taken the form of outsourcing an ever larger proportion of that kind of work ... They have now, I think, three sort of head contracting companies that they outsource this work to, and they in turn use an army of subcontractors. When [company] squeezes those head contracting companies, sets them against one and other for the contract, those cost pressures then get sort of transmitted down to the subbies [sub-contractors]. And that's the mechanism for the kind of—the cost control that you were talking about before and the major way that they've responded to cost pressures in these areas over the last decade really.'
 [Stakeholder, Other Repair and Maintenance, Union]

It was also seen in the hair and beauty sub-sector:

'So typically lots of stations, lots of pedi[cure] stations, lots of mani[cure] stations, and typically Vietnamese or Thai women working long hours, charging customers low, low prices for service ... I think they're being paid per service that they provide, not on wage.'
 [Stakeholder, Personal Care Services, Industry Group]

Stakeholders from organisations representing employees in clothing repair and maintenance services also described similar pressures on wages in the sector.

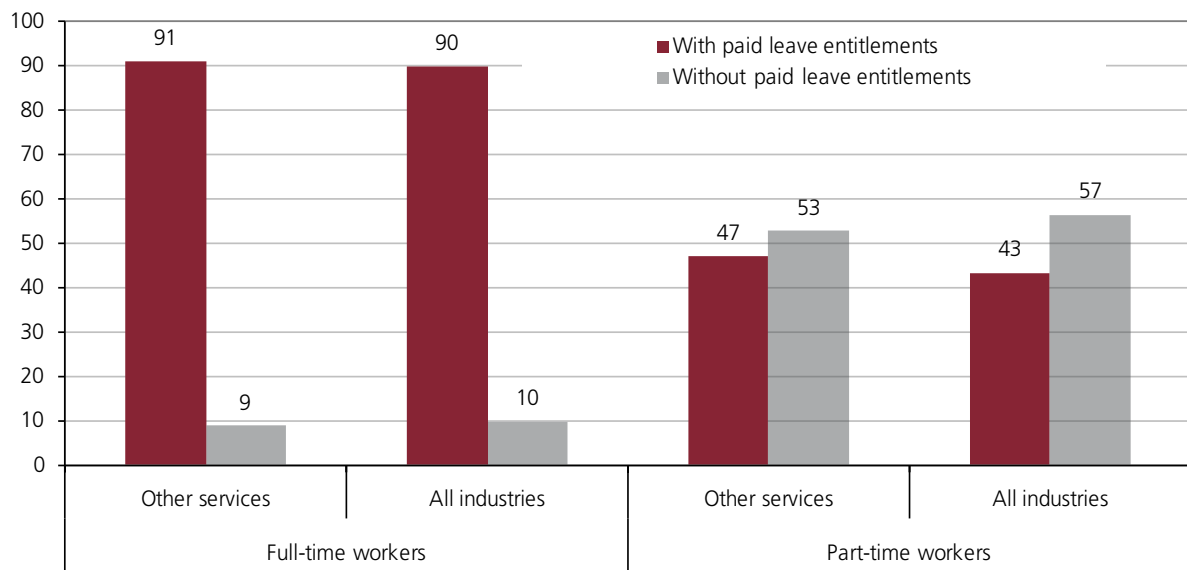
‘What often happens in this sort of work is the [clothing] repair is similar to actually manufacturing clothes at home, in that there’s a bit of a bidding-type process where really the employer will give it to whoever’s prepared to do it for the lowest price. So it’s driven unfortunately by a race to who can get it for the lowest cost.’ [Stakeholder, Other Repair and Maintenance, Union]

‘... in textile, clothing and footwear generally, you have that large predominance of home-based workers that are treated like they’re household traders or contractors, when they’re in fact employees, but there’s sham arrangements that are entered into to distance the original employer from the employment relationship. If they’re working at home it’s nearly solely by piece rates.’ [Stakeholder, Other Repair and Maintenance, Union]

ABS data relating to employees with paid leave entitlements indicated that the Other Services industry is reflective of the labour force more broadly in terms of the proportion of full and part-time workers attracting paid leave entitlements – see Figure 22.

Figure 4.9: Full-time/part-time status of employees by whether had paid leave entitlements, by industry division, 2008, (%)

Population: Employees only, FOES definition



Source: ABS 2008a, cat. no. 6359.0

However, our interviews with industry stakeholders indicated that a number of occupations such as hairdressing, clothing repair and laundry work were characterised by 'precarious' employment, with low levels of job security, hours predictability and regulatory compliance, and high levels of casualisation. These themes were corroborated in the employee interviews, with several groups of workers identified as particularly vulnerable to precarious employment conditions, including hairdressers, sex services workers, and laundry workers. Study participants pointed to a combination of relatively low pay, significant compliance and enforcement issues, and low bargaining power in the workplace that undermined their conditions. Examples of these responses include:

'With my first salon like [they] ... didn't want to pay you out your holiday, like your loading for your holidays. When I left that salon she owed me seven to ten thousand dollars in unpaid superannuation.' [Employee, Personal Care Services, Hairdresser]

'I'd like to be full time, a full-timer, but that's because they get a day off, a rostered day off, and you're sort of a little bit more secure.' [Employee, Other Personal Services, Laundry Worker]

'... we never get any pay rises ... [the last pay rise was] somewhere in March ... two thousand and something, it was. Six maybe, I think it was, 2006.' [Employee, Other Personal Services, Laundry Worker]

'... you're told that you will receive X amount per job [in the sex industry] ... another factor is when you actually receive the money, it's not always the case that you would receive the money at the time of the booking. It might be that you don't receive it until the end of the shift, and in some cases particularly on escort you might not receive credit card takings etcetera 'til the end of the week.' [Stakeholder, Other Personal Services Industry Association]

This sample of employee perspectives draws attention to the problems underlying these sectors, which are dominated by small, highly competitive firms with (sometimes recorded but often observed) difficulties with compliance and enforcement of workplace regulations. Laundry workers, with a high incidence of non-English speaking background workers, and sex service workers, with added privacy and legality concerns, are especially vulnerable in relation to obtaining the minimum protections through compliance, or more comprehensive protections such as award coverage.

Highlighting the difficulty of compliance, the Fair Work Ombudsman conducted a national campaign directed at the hair and beauty sector in 2009, in response to the sector's ranking of third highest in the number of compliance complaints made. Out of 330 employers audited by the Ombudsman, 130 (39 per cent) were found to be in contravention of workplace regulations, including 52 monetary contraventions (with the majority relating to record keeping of payslips and timesheets).

During interviews with key stakeholders across a range of sectors, compliance with employment regulations was raised as an issue. This was particularly the case in the laundry and sex service industries:

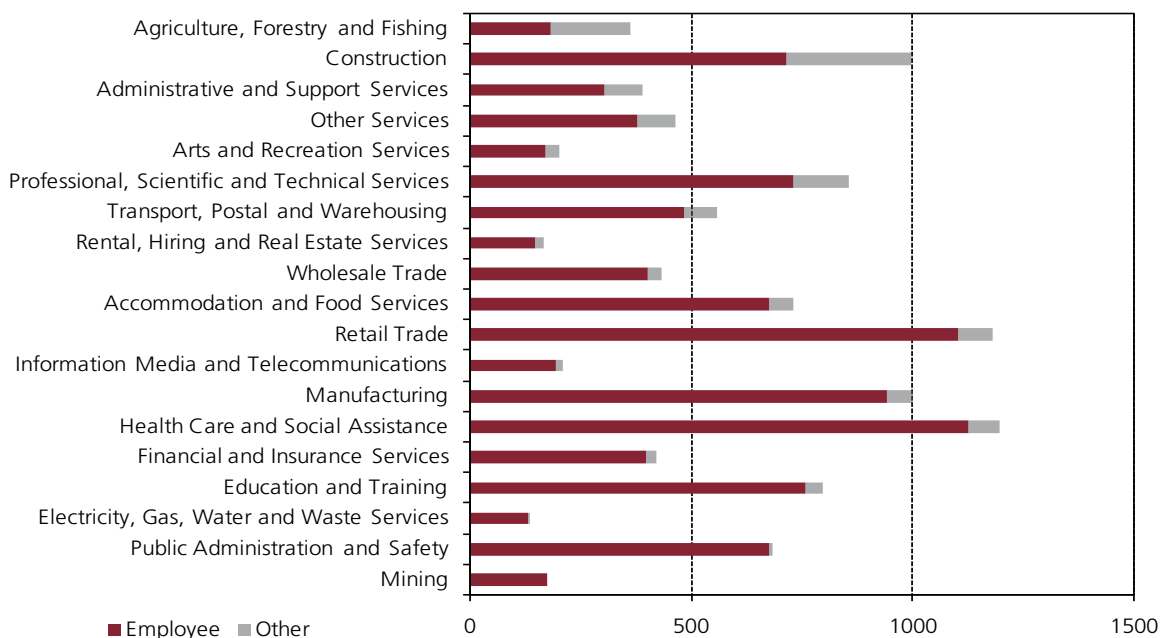
'... there's a number of [laundry work] employers that ... well they can't possibly be paying penalty rates and quoting the prices they quote on jobs ... There was a labour hire company that was operating in the laundry industry ... they would get employees working for an employer through the day and of an afternoon they would clock off, at normal knock-off time—and they would clock back on again, working for the labour hire company, not getting overtime rates or anything else.' [Stakeholder, Personal Care Services, Union]

'... we suspect that ... a laundry may employ, say 60 people, but we don't know that they've actually got 60 people covered for workers compensation and therefore they don't pay the workers compensation premiums on the whole 60 people.' [Stakeholder, Personal Care Services, Union]

There is limited data available at the industry level with the FOES definition of employee. However, reverting to the LFS definition of employee, it is possible to provide some additional insight into the differences between employee and non-employee characteristics. However, it is emphasised that the LFS definition of employee includes those who operate their own incorporated enterprises, who would very likely be classified as contractors or other business operators under the FOES definition of forms of employment. Figures 22 to 26 disaggregate the workforce by employee or other status, where 'other' refers to employers and own-account workers.

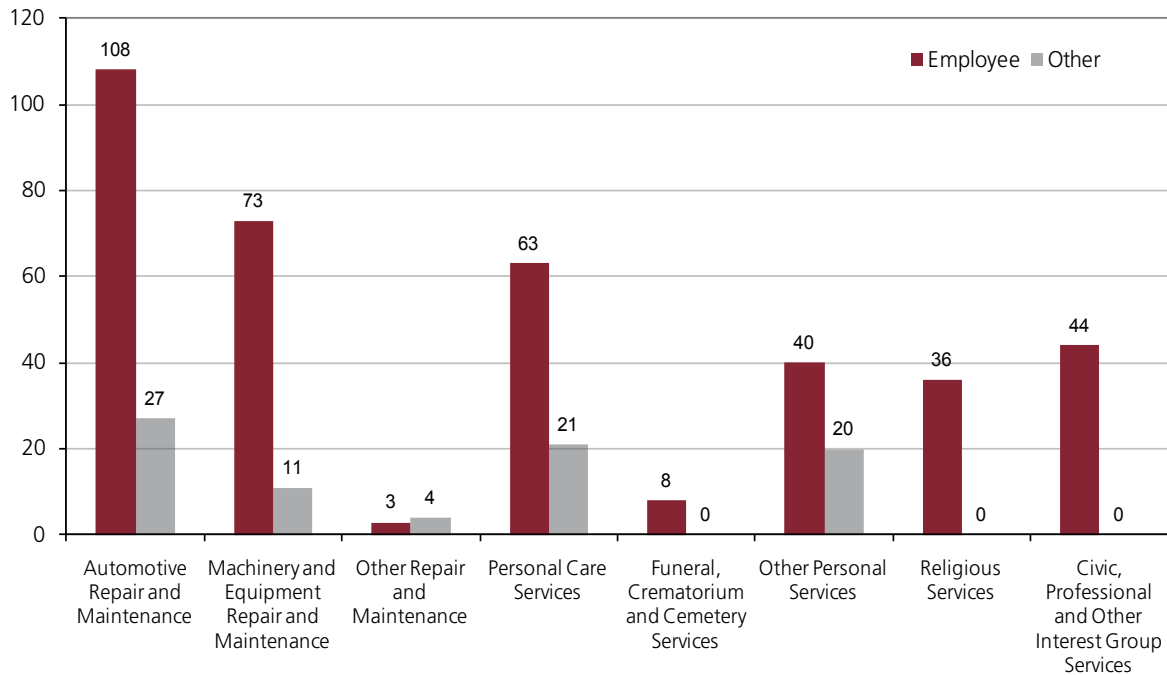
Figure 4.10 shows the total employment attributable to each industry, broken down into employee and non-employee categories. Industries have been ranked by the highest proportion of non-employees: Other Services ranked fourth, with 21.9 per cent of the workforce classified as non-employees under the LFS definition of employees. This compares to around 32 per cent classified as non-employees under the FOES definition of employees.

Figure 4.10: Total employment by industry, employee/other status, 2010, ('000s)



Population: All persons employed
Source: ABS 2010 cat. no. 6291.0.55.003

Figure 4.11 shows the composition of the Other Services workforce by employee and non-employee status. It indicates that the industry is dominated by employees, with the largest proportion (50 per cent) of non-employees found in the Other Personal Services sub-industry.

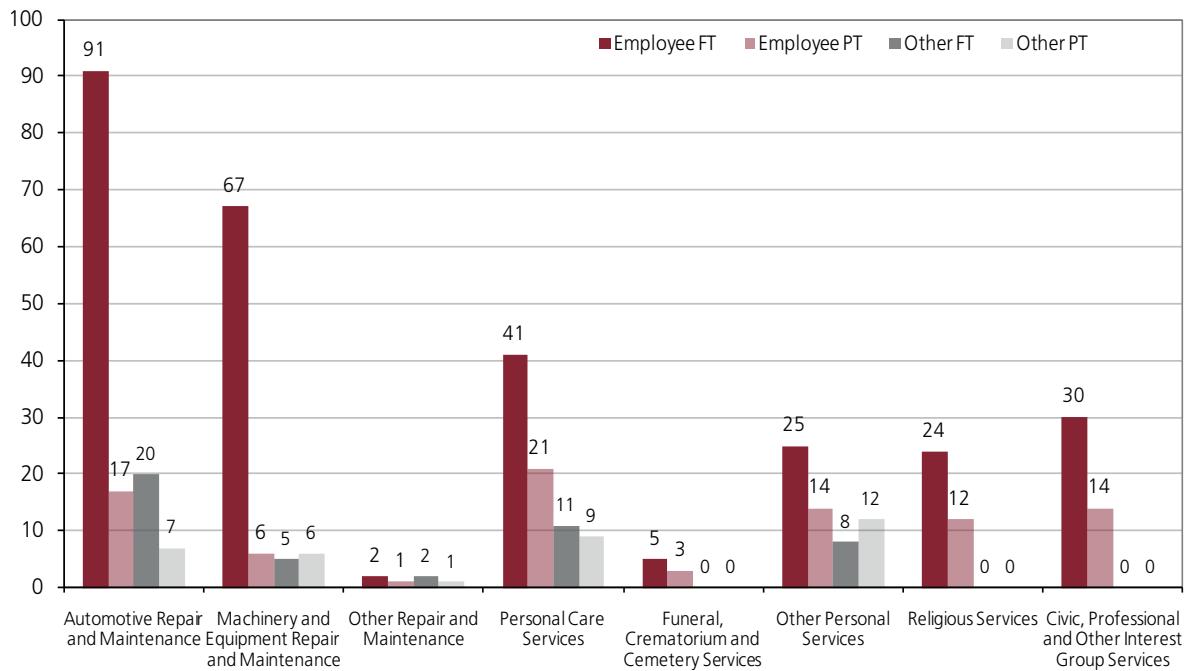
Figure 4.11: Employee/other status, by industry division, 2010, ('000s)

Population: All persons employed in Other Services

Source: ABS 2010 cat. no. 6291.0.55.003

Figure 4.12 illustrates the full-time/part-time status of employees versus non-employees by industry sub-sector. Across all sub-sectors, workers are most likely to be full-time employees, according to the LFS definition. This is particularly the case in the repair and maintenance sub-sectors. Non-employees are less likely to be working full time than employees, with 43 per cent working part time, compared to 24 per cent of employees. In the Other Personal Services sub-sector (a category where laundry workers form a large proportion) 60 per cent of these own-account or employers work part time.

Figure 4.12: Full-time/part-time status, by employee/other status and industry subdivision, 2010, ('000s)

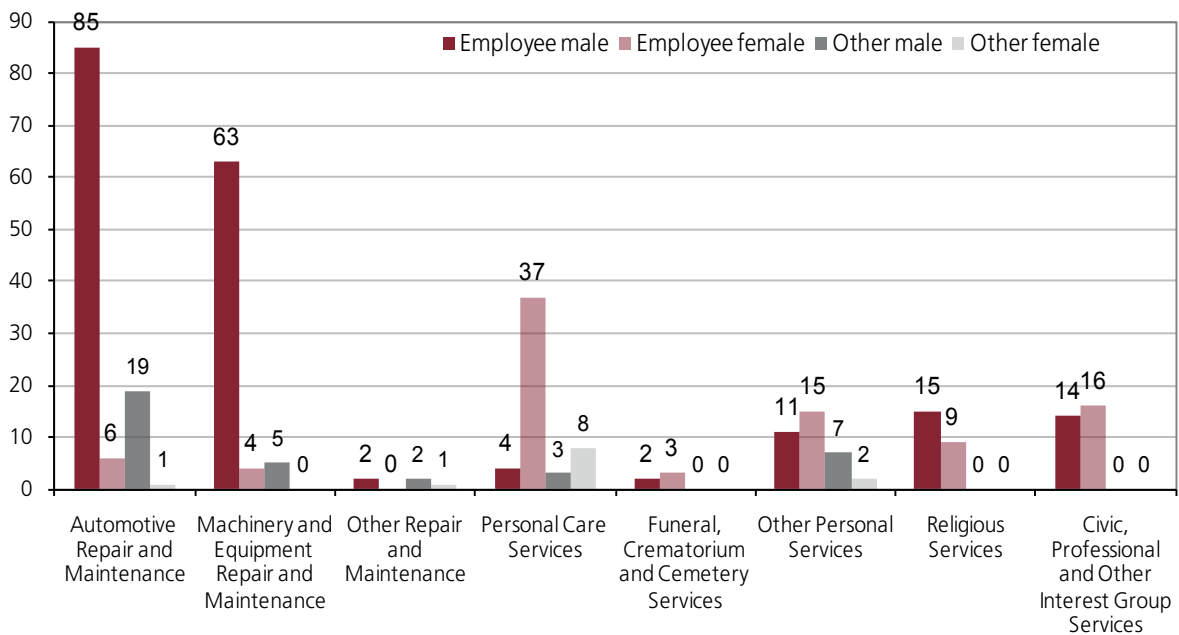


Population: All persons employed in Other Services
 Source: ABS 2010 cat. no. 6291.0.55.003

Figure 26 shows the gender distribution of employees versus non-employees by sub-sector. Male employees are strongly concentrated in the repair and maintenance sub-sectors, while female employees are found predominantly in the Personal Care and Other Personal Services sub-sectors. Female workers form a slightly higher proportion of employees (31 per cent) than non-employees (25 per cent).

Figure 4.13: Sex distribution, by employee/other status and industry subdivision, 2010, ('000s)

Population: All persons employed in Other Services

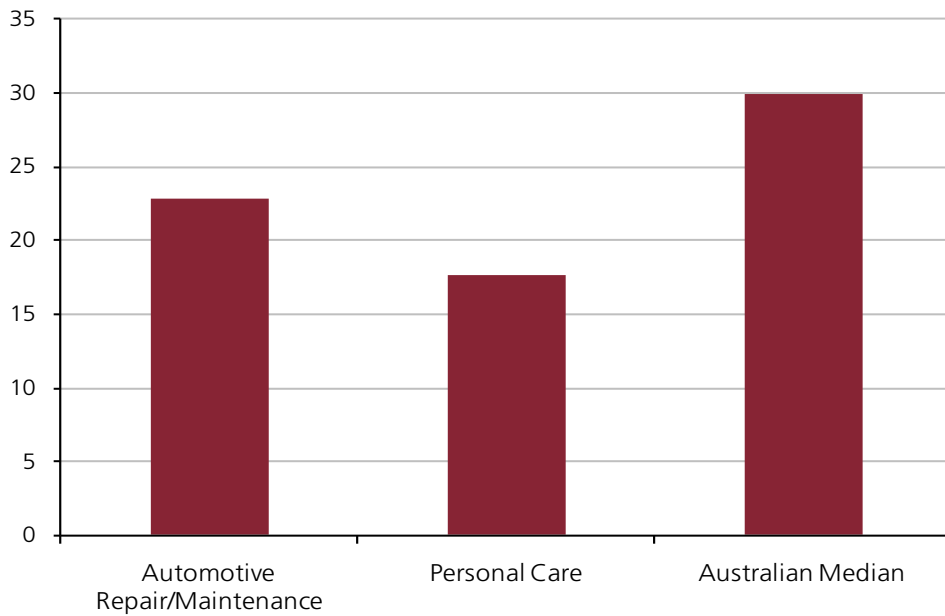


Source: ABS 2010 cat. no. 6291.0.55.003

4.3 Wages

This section analyses wages data relating to the ABS LFS definition of 'employees'. This definition includes those remunerated by wages, salaries, commission, retainer fees, piece rates and payment-in-kind, as well as those operating their own incorporated enterprise. It does not, therefore, discriminate between employees and contractors as in the previous section.

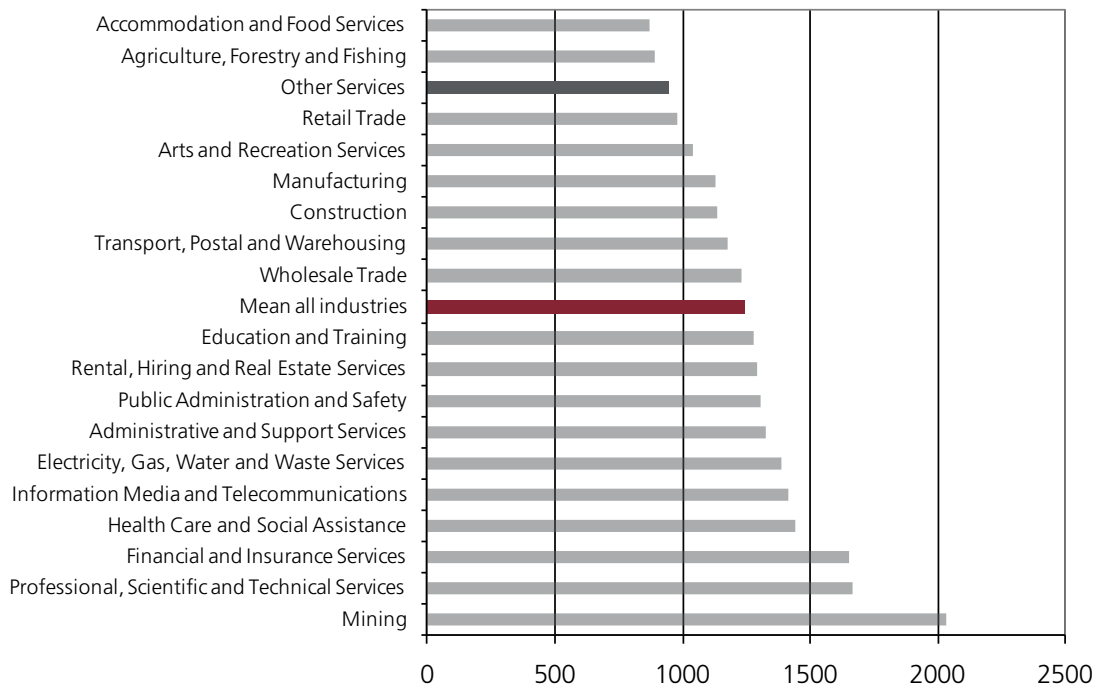
An assessment of hourly earnings, comparing median rates for workers in the Other Services sector, gave stark results. Automotive Repair and Maintenance workers' (a category dominated by motor mechanics) hourly rate of \$22.90 represents around 77 per cent of the average rate across all Australian industries (ABS 2009b). The average worker in Personal Care Services (a category dominated by hairdressers) earns \$17.60 an hour, around 59 per cent of the benchmark figure. These results are illustrated in Figure 27.

Figure 4.14: Sub-industry average hourly wage rates, August 2008, (\$)

Population: All employees over age 21 in full-time, non-managerial roles, LFS definition
Source: ABS 2009b, cat. no. 6306.0

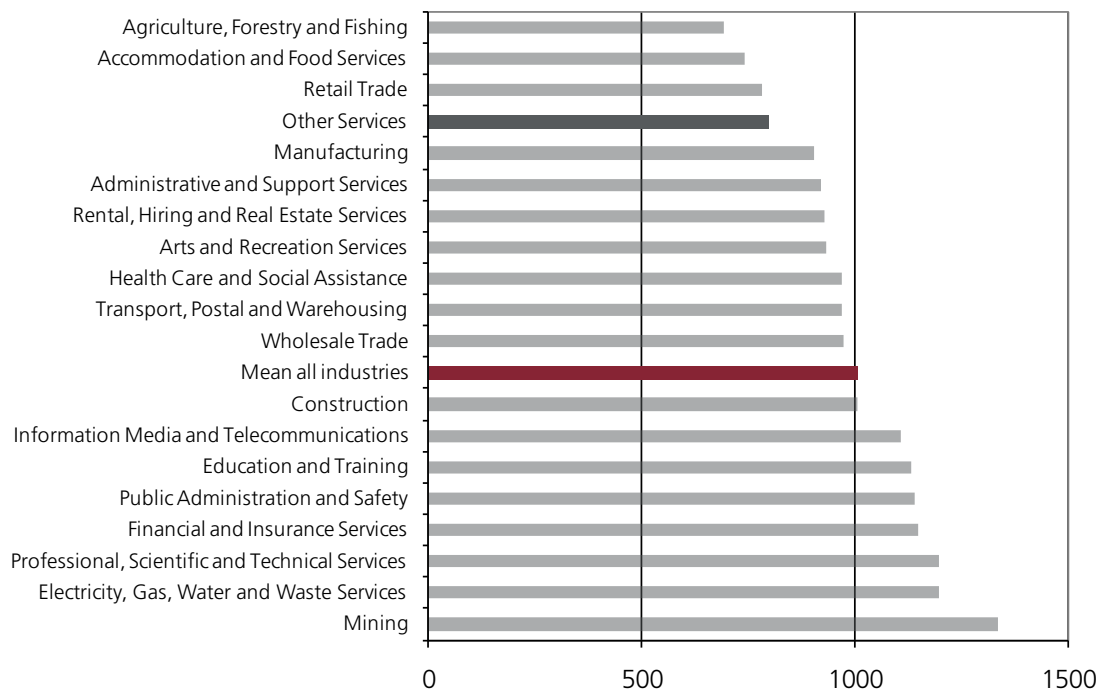
Compared with the broader economy, the Other Services industry is characterised by relatively low levels of pay. Figures 27 to 30 illustrate industry mean weekly earnings for full-time and part-time and male and female employees, ranked from lowest to highest, and include the mean of all industries. The results show that, aside from part-time male workers (who represent around nine per cent of the Other Services industry workforce), average levels of pay in Other Services are well below the national average. Other Services ranks in the bottom five industries. As described in later sections, such pay levels are seen to contribute to difficulties recruiting workers in some industries (such as automotive repair), high attrition rates in others (such as hairdressing), and employees' difficulties keeping up with the cost of living.

Figure 4.15: Industry mean weekly earnings, males employed full time, 2008, (\$)



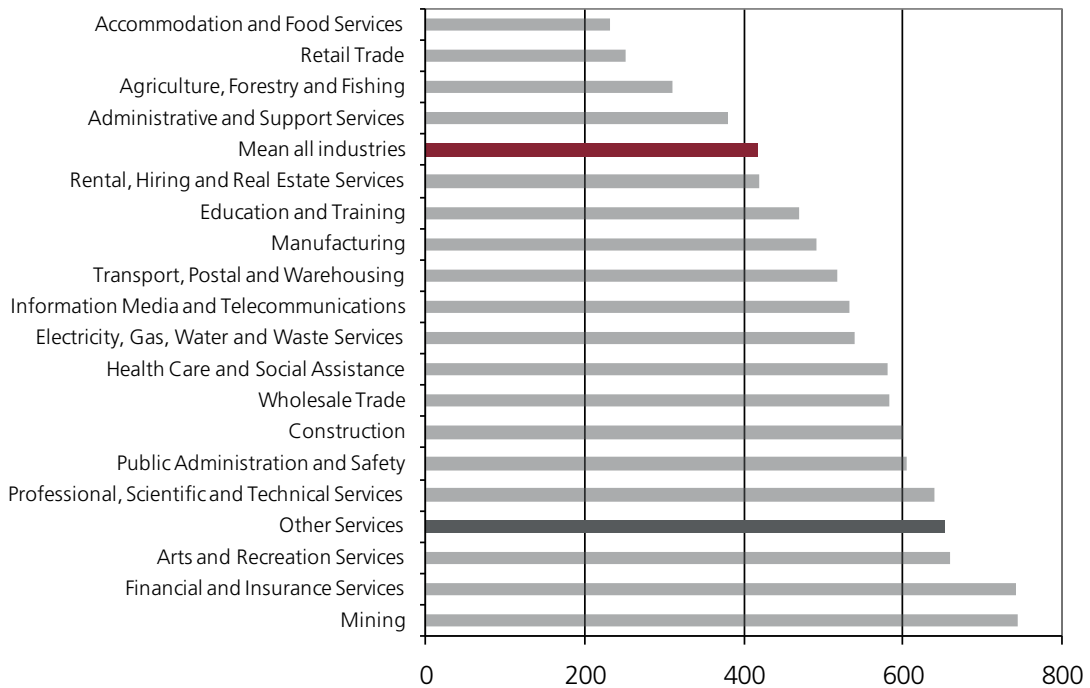
Population: All full-time male employees, LFS definition
 Source: ABS 2008c, cat. no. 6310.0 and ABS 2008b, cat. no. 6291.0.55.003

Figure 4.16: Industry mean weekly earnings, females employed full time, 2008, (\$)



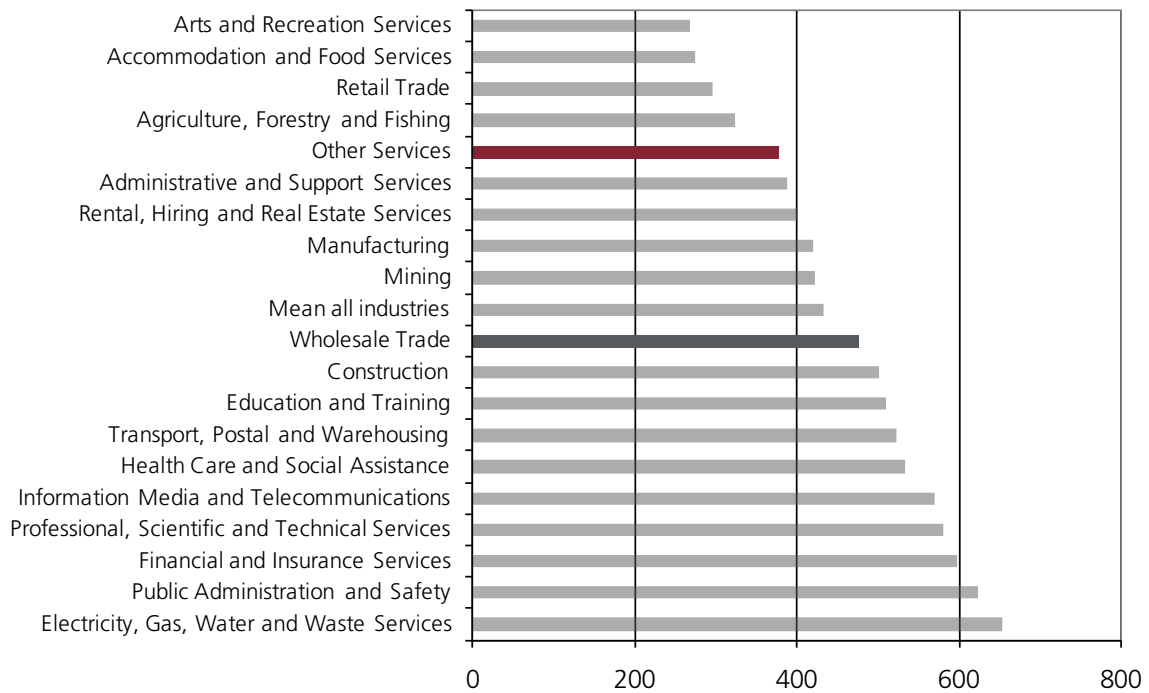
Population: All full-time female employees, LFS definition
 Source: ABS 2008c, cat. no. 6310.0 and ABS 2008b, cat. no. 6291.0.55.003

Figure 4.17: Industry mean weekly earnings, males employed part time, 2008, (\$)



Population: All part-time male employees, LFS definition
 Source: ABS 2008c, cat. no. 6310.0 and ABS 2008b, cat. no. 6291.0.55.003

Figure 4.18: Industry mean weekly earnings, females employed part time, 2008, (\$)



Population: All part-time female employees, LFS definition
 Source: ABS 2008c, cat. no. 6310.0 and ABS 2008b, cat. no. 6291.0.55.003

During employee interviews, questions regarding the cost of living commonly elicited comments regarding the cost of food, energy and mortgage bills. However there were considerable differences in the nature of financial stress within households.

For example, several interviewees who either were previously or are now hairdressing apprentices still living at home, regarded their wages as adequate but recognised their very low cost of living. Both employee and industry stakeholders mentioned high attrition rates in the sector and cited low pay as a key reason for this, particularly among apprentices:

'... when I first started hairdressing mostly, I used to get \$180 a week as a first year. Mind you, I was 15 and living at home, I didn't have a car, I didn't have the mobile phone, I didn't have bills, I didn't pay rent so that's \$180 a week to save basically.' [Employee, Personal Care Services, Hairdresser]

'I'm a year young for my year, so when I started my apprenticeship I was actually 15. So I didn't really have any commitments or anything like that. So I've always been fine with money, even though I was getting paid a lot less, that's the only thing I had to spend money was things for myself really.' [Employee, Personal Care Services, Hairdresser]

'Hairdressers come and go and like it takes ages. You won't see like every apprentice go through and finish and then, like, hairdressers get sick of hairdressing. It's not the best money, so they go into different jobs.' [Employee, Personal Care Services, Hairdresser]

'The fact of the matter is there is skilled and trained hairdressers in Australia who can fulfil those jobs. They just don't want to work for crap conditions and crap wages'. [Stakeholder, Personal Care Services, Industry Group]

More generally, many respondents stated they were struggling to keep up with the cost of living, often having inadequate income to manage their day-to-day expenses. Many commented on their inability to generate savings or discretionary spending for activities such as holidays. Many mentioned that a secondary income, either via a second job, or another member of the household working, was necessary to maintain their standard of living. As discussed in Section 3.1, many of the sub-industries within Other Services are extremely price competitive, leaving labour costs as one of the few levers which businesses can use to improve performance. The effect on employees of these production strategies as revealed during the interviewing process, was clear.

'... it's meant a real cut in their take-home wage, it's caused extreme hardship for ... these are workers who are generally very lowly paid, and you haven't seen a corresponding freeze in other costs so it's meant that their capacity to make ends meet has been diminished.' [Stakeholder, Other Repair and Maintenance, Union]

'... we just make ends meet as we can. But as long as I pay all my electricity bills and that. If I haven't got enough for food, well, I don't worry about it.' [Employee, Other Personal Services, Laundry Worker]

'I'm not really working for the money because if I was, I wouldn't be able to do it ... I'm doing it simply to be involved with the church.' [Employee, Religious Services, Clerk]

'She [my wife] didn't work there for three years, but now to cover all costs and that, if you want to live the same lifestyle that you were living, you've got to have that extra person working. She's only casual.' [Employee, Other Repair and Maintenance, Manager]

'If things keep going up like electricity bills and all this sort of thing, heating bills. I'll manage but I'm just not saving any.' [Employee, Automotive Repair and Maintenance, Plant Operator].

'Q: Now, just in terms of how you spend your money, do you feel like you were paid enough to cover you and your family's needs?

A: Not in that particular job, that's why I've got two other jobs ... commercial cleaning, I've got a morning one on Monday, Tuesday, Thursday and I've got another one that I do in the evening on a Tuesday night and a Friday night.' [Employee, Civic and Other Interest Groups, Clerk]

'I would have liked to travel more and go away somewhere, but yeah, because of your wage you can't sort of save enough money and other things pop up and you have to pay for those. So you sort of don't end up getting to do what you want to do.' [Employee, Personal Care Services, Hairdresser]

The notable exception to this theme tended to be experienced automotive repair and maintenance workers, who were more likely to be able to negotiate their pay and conditions, and funeral service workers.

Low rates of pay contribute to issues of recruitment and retention within the industry. Consequently, wage levels were cited as creating skill shortages in a number of areas in Other Services, such as apprentices in hairdressing and automotive repair:

'... it's important for the industry sector, as I said before, to be able to attract and retain skilled employees, not only skilled employees, but just employees generally. And this is one of the dilemmas in a way, because it's important for minimum rates and terms and conditions in this sector to keep up pace with community standards and other industries as well. Because I note that there is some evidence that a lot of people that start off in this sector don't go on to work in this sector, because they're attracted to others who pay more.' [Stakeholder, Automotive Repair and Maintenance, Union]

'... where people are covered by agreements that have been negotiated there is a continuing stream of pay rises that's going on. And if the award system is held stationary, whereas agreement rates are continuing to rise, then the gap is going to continue to increase ... why would you take up an apprenticeship in hairdressing, for example, when you could go work at Coles supermarkets, or even at some fast food outlets and earn substantially more money.' [Stakeholder, Personal Care Services, Union]

'... in hairdressing, there's an element of difficulty of attracting apprentices. That probably goes to young people's perceptions of the industry and whether they want to work there ... It goes to wages and working conditions' [Stakeholder, Personal Care Services, Industry Group]

'The pressures that are often brought to bear on keeping those wages low is a combination of employer expectations and history. And we also think it's because of the high feminisation of that workplace, a strongly female workplace ... The fact of the matter is there is skilled and trained hairdressers in Australia who can fulfil those jobs, they just don't want to work for "crap conditions and crap wages".' [Stakeholder, Personal Care Services, Industry Group]

'... we struggle to attract apprentices [into automotive] because there's a perception the salary for a qualified tradesperson in automotive is lower than for a qualified tradesperson in, for example, electrical or carpentry.' [Stakeholder, Automotive Repair and Maintenance, Industry Association]

'... because to pay a good, qualified trades-person in the market place is much more than what the employer would pay if he relied on minimum rates in the award ... The problems of the [automotive repair] industry are attraction and retention. They are very two important considerations for the industry, because that's the dilemma. If the industry sector does not pay well, so to speak, it would have a difficulty in attracting and retaining people in the industry.' [Stakeholder, Automotive Repair and Maintenance, Union]

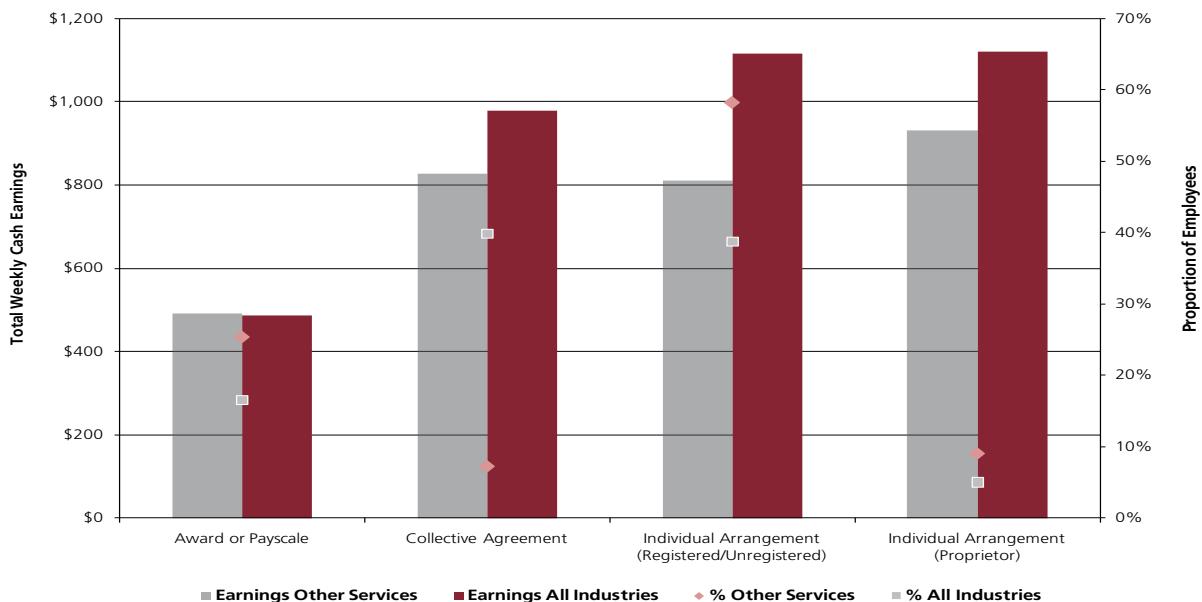
4.4 Wage-setting

According to ABS data, almost 25 per cent of wages in the Other Services sector are paid at award or Pay Scale rates, compared to an average 17 per cent across the Australian economy (ABS 2009b). Collective agreements constitute a further seven per cent, compared to 40 per cent in the broader economy. Wage-setting in the Other Services sector is dominated by individual agreements (excluding proprietors), which apply to 58 per cent of the workforce, compared to an Australia-wide benchmark of 39 per cent.

Figure 4.19 illustrates the proportion of the Other Services workforce attached to the different wage-setting mechanisms and the average total cash earnings under each mechanism. It is seen that employees in Other Services with pay set by an award are earning close to the national average (\$491 compared to \$486 per week). Employees with pay determined by a collective agreement are earning significantly less (\$826) than the average employee with pay determined in the same way (\$979 per week). Figure 4.19 also indicates that the earnings for an employee in Other Services on an individual agreement (non-proprietor) are \$810, compared to a benchmark of \$1,117 for individual agreements across all sectors.

Figure 4.19: Average weekly total cash earnings and proportion of employees, by method of pay-setting, other services, 2008

Population: All employees (LFS definition)



Source: ABS 2009b, cat. no. 6306.0

Of all the sub-sectors, the workers and stakeholders in the sex industry had the most confusion surrounding industrial arrangements. A stakeholder from an organisation representing employees in the sex industry reported the following in relation to industrial arrangements governing the employment of sex workers:

'... there are a few different patterns of work [in the sex industry] and I guess it's split across whether the arrangement is a contractor arrangement or a employer/employee [arrangement] and/or whether the person is told it's a contract arrangement but it's actually an employer employee arrangement ... In most cases it's a per job payment. In fact the number that aren't are really negligible. And that's across strip clubs and a whole range of other [sectors], not just the sex industry, not just brothel situations.' [Stakeholder, Other Personal Services Industry Association]

Interview data suggested a substantial level of minimum wage reliance exists in occupations such as laundry work and clothing repair, as well as hairdressing and automotive repair apprenticeships:

'... generally speaking, all the laundries only pay the award rate because if one starts paying above the award rates what happens is the undercutting ... as soon as one laundry gets an increase, other laundries would undercut them in the bidding process for contracts ... you have a lot of smaller operators undercutting the bigger ones and even some of the bigger ones undercutting the other bigger ones and what happens is, is that clientele moves from laundry to laundry.' [Stakeholder, Personal Care Services, Union]

'... in the beauty area ... you're talking about less than 10 per cent [unionisation] ... there would be very little bargaining at all ... The people are very much dependent upon the award rate of pay, which is not the minimum wage but the minimum rate for the particular classification that they're working under.' [Stakeholder, Personal Care Services, Union]

Most employee study participants were unaware of how their own pay and conditions were determined. Most respondents recalled simply accepting the terms of the employment offer, and very few had questioned the wage-setting process, or ongoing changes to it. A few respondents, typically covered by a collective agreement, were able to provide estimates as to the magnitude of periodic pay rises. Throughout the employee interviews, a typical passage would involve the following exchange:

Q: 'Do you know about the minimum wage and how it's set?'

A: 'No.'

Q: 'Do you know if your pay is set by any type of award?'

A: 'To be perfectly honest, no I don't.'

While university-qualified technicians were relatively well informed about their employment, pay and conditions, in contrast, respondents with limited numeracy and literacy skills demonstrated very little knowledge of their entitlements, for example:

'They just pay me whatever. I don't know what the going rate is. They just pay me and I just pick my pay up at the end of each week ... With me, I can't read and I can't write, so I just put up with it.' [Employee, Automotive Repair and Maintenance, Plant Operator]

Workers interviewed in particular sub-sectors appeared to feel that they were working outside the parameters of enforceable rights. This was true of those working in sex services and Religious Services. For example, a woman in Religious Services felt that her pay was merely a gesture, rather than a necessary condition of employment. For this reason she was happy to work extended overtime during busy holiday periods without extra pay. The same workers exhibited relatively low levels of awareness regarding wages and conditions. One Religious Services worker, for example, commented that:

'... because I work within a religious community, I think we do have a tendency to accept a slightly lower income because it's our religion ... I really don't know what I would be paid in the wider community actually.'
[Employee, Religious Services, Administrator]

Analysis of feedback from industry stakeholders suggested that minimum wages have two further critical roles.

First, minimum wage decisions provide relativity scales for workers whose wages are both directly and indirectly determined by the award system. That is, there are considerable flow-on effects not just for those classified by the ABS as having their wage determined by the award system (i.e. paid exactly at an award rate), but for those who are typically paid some proportion, or relative amount, above the award. Further, not only does the award system appear to provide a relativity scale between workers via over-award payments, but also between some workers who are award-dependent and those who are covered by collective agreements. These notions of relativity were captured by a number of interviewees in the automotive repair sectors:

'... the overwhelming majority [of automotive repair workers] I would argue would be heavily reliant for their terms and conditions of pay as per the award. So it's very important at one level for the award to provide for increases by way of minimum rates because they're usually passed on ... the employer would, absent a specific agreement, would pass on wage increases that arise through changes in the award, that being general history. So, for example, even if someone was paid \$10 above the minimum rate and there was a five per cent increase in those rates, the employer would pay the five per cent increase on the \$10, as an example, but sometimes they absorb it ... at least in some instances they keep that relativity going.' [Stakeholder, Automotive Repair and Maintenance, Union]

Certain sub-sectors, such as Funeral, Crematorium and Cemetery Services (and particularly Automotive Repair and Maintenance) were characterised by the payment of above-award wages to workers with a high level of experience and/or sought-after skills. In automotive repair, this was driven predominantly by skill shortages across the sector, and to a lesser extent by competition with the mining sector for skilled tradespeople. Given the severe skill shortages indicated during the stakeholder interviews, it was unsurprising that many automotive repair workers were able to negotiate above-award rates of pay.

'... say the award says it's \$17.99 — probably our award is that sort of a figure, and there's some blokes there that are worth \$15.99 that you've got to pay \$17.99, and there's blokes there that are worth \$30 an hour. So everybody negotiates their own way.' [Employee, Automotive Repair and Maintenance, Automotive Electrician]

'... the boss, he actually tried to give me a pay rise to not leave to go to engineering. He respected me, gave me the days off, but right at the end he goes, "I'll give you this amount if you stay, because I want you to stay". I know what I'm doing, because we worked on rally cars and I really know what I'm doing with them.'
[Employee, Automotive Repair and Maintenance, Mechanic]

'... we've worked out between ourselves ... what we thought I was worth, using my own tools and stuff like that. Then you have to work out an hourly rate and then they agree to it.' [Employee, Automotive Repair and Maintenance, Automotive Fitter].

'... we were sort of paid well and truly above the award and that just includes our overtime, but in this industry there can be days where we don't have a funeral and there's not much to do ... As long as my work is done, I'm free to come and go as I like.' [Employee, Funeral Services, Funeral Worker]

One stakeholder, experienced in the deployment of apprentices, cited low pay (relative to other trades) and declining task discretion and diversity as critical to difficulties in recruiting automotive apprentices (as described in Occupation focus point B). While apprentices and non-trade workers were flagged as heavily award-reliant, more experienced automotive repair workers are likely to be paid above the award rate:

'... a successful smash repair business, for example, would be paying their panel beaters, their good panel beaters, well in excess of the minimum rate in the award, because of just the ability to attract and retain those types of skilled employees.' [Stakeholder, Automotive Repair and Maintenance, Union]

'... somebody who's done his apprenticeship and then pulled his head in for another three or four years and knuckled down and started to really get that knowledge bank happening, he is an absolute asset to a business and he would walk in, in some cases, at perhaps double the award wage for a mechanic.' [Stakeholder, Automotive Repair and Maintenance, Peak Body]

'Some of our TAFEs, and some of the rural areas, complain to us that they can't get enough apprentices going through because they're absorbed by the mining industry within that town, and the reason why they're absorbed is purely dollars and cents. So where they go to work for the local mechanic or they go and work for the local car dealer, they soon learn there's an opportunity at a mine which might be 20 or 30 kilometres out, that there's a daily bus that goes out three times a day to offer the shifts, that the wage (where they might be on a \$35,000 a year wage structure as a fourth-year apprentice) they'd be taken on board learning another side of the business, heavy vehicle or diesel or something like that, and could potentially double their salary to \$70,000.' [Stakeholder, Automotive Repair and Maintenance, Peak Body]

A recurrent theme across stakeholder interviews was the importance of minimum wages as a mechanism for providing a floor for broader wage outcomes. While the level of direct dependence on award rates varied across sub-industries and within workforces (i.e. between apprentices and experienced workers), interviewees consistently remarked on the function of minimum wages in preserving both a floor and relativity scale in wage outcomes. These sentiments are captured by stakeholders from civic and other interest groups, and other repair and maintenance sectors:

'The majority [of workers in textile and clothing repair] would be award-reliant but then there's also, in larger operations there's enterprise agreements that are based on the award minimums, but that offer in many cases some improved conditions ... [minimum wage variations] would be the basis of any wage increases, and so you've had the impact in the last twelve months of no increase, and workers affected by that but generally there's a passing on of the award or minimum wage increase once there's a decision.' [Stakeholder, Other Repair and Maintenance, Union]

'... another place where it could be relevant and that's in relation to the AWAs [used in the telecommunications repair sector]. Because of the way they're structured within [company], they usually have a fixed component and a variable component. So we've got a fairly low guaranteed wage and then a large productivity, piece rates, whatever, component on top of that. So obviously [company] has to make sure, I would think, that that lower component is at least at the minimum wage. Now, looking back over the AWAs from a few years ago, I think it certainly complies with that and it has to anyway for the kind of fairness test and so on. But nevertheless it obviously does put a platform under those sorts of contracts.' [Stakeholder, Other Repair and Maintenance, Union]

Stakeholders from organisations representing employees in laundry services described similar pressures on wages in the sector:

'... if it's a national [minimum wage] increase it will impact on all employers equally. So what happens is it doesn't create too much of an unlevel playing field, and that's why we stayed within the national wage case increases for our members working for the different companies, rather than go for specific enterprise agreements because otherwise you'd create an unlevel playing field for competition purposes and you're leapfrogging each other.' [Stakeholder, Other Personal Services, Union]

Minimum wages also serve to protect wages from inter-business competition. In a highly competitive industry, where costs are continually pushed down, minimum wages provide a base that shield employees from subjection to lower wages (in order for their employers to attract more clients). This is further explained in a stakeholder interview:

'... recruitment and retention is I guess something that's regularly considered by these small businesses. They'd be ... in competitive business with small margins in the main. And so they'd have a constraint about significantly increasing their wage rates, with a view to retaining good staff, for fear of pricing themselves out of competition. And they'd welcome the existence of a minimum rate that prevents their competitors from undercutting them on wage rates, and providing a floor.' [Stakeholder, Civic and Other Interest Groups, Union]

These two roles—providing a floor and providing a relativity scale for wage outcomes—were a common theme across diverse industry characterised by fragmentation. Interviewees, whether representing minimum wage-reliant sectors (such as laundry work), or sectors where enterprise bargaining was concentrated (such as telecommunications repair), reflected the notion that movements in minimum wages are critical to maintaining relativities between groups of workers across the economy, and particularly to those at the bottom of the labour market.

The notion of relativity was also raised with respect to a scale of pay commensurate with skill and training. Historically, many of the sub-sectors in the Other Services industry had centralised wage scales tied to some form of graded skill structure. This phenomenon has become less common over time, with the rise of enterprise bargaining, heterogeneity within the Australian Qualifications Framework and the rise of non-employer/employee based work arrangements (e.g. outsourcing and contractors). While in some areas, such as Automotive Repair and Maintenance, the relationship between qualifications, experience and pay remains strong, interviewees in other areas indicated a much looser bond:

'... the wage profile has been tied, historically, quite tightly to training and to grading ... as the industry has deregulated and work has been outsourced from [company] and it's gone out to private contracting, all of that started to unravel.' [Stakeholder, Other Repair and Maintenance, Union]

'... there was a general conditions award that covered pretty much everyone that had been employed in [company] within [company] with a series of—how can I put it, ancillary awards based on occupational groups. But then in time these were picked up by enterprise agreements, and the enterprise agreements cover the entire workforce, but were obviously linked back or referenced to the underpinning awards. Those awards ... in days gone past benefited from centralised wage decisions but, in time, their impact's been diluted through the rise of enterprise bargaining.' [Stakeholder, Other Repair and Maintenance, Union].

'... you see this "push me, pull you" occurring. So the employers will want some of what's classified as a Cert IV skill to be dropped down into Cert III, and the union will say, "Well, you're going to pay them more". And so then it becomes an elective or it gets bumped back up. So you see this constant pressure in wanting to expand the core units and that everything's got to be done.' [Stakeholder, Personal Care Services, Industry Group]

'... he believes the beauty industry have degraded their diploma qualification, because they've put the Cert III in Hairdressing and the Diploma of Beauty at the same wage level. [Stakeholder, Personal Care Services, Industry Group]

The fragmented nature of the Other Services sector was reflected in responses to the award modernisation process, and the caution clearly present during the transition period when the interviews were undertaken. This caveat was particularly highlighted by respondents in the Funeral, Crematorium and Cemetery Services, sex services, and Religious Services sub-sectors. These factors highlight the importance of the context of the full range of labour market institutions and protections in place, when examining the Other Services sector.

In one example, with regards to funeral services, a stakeholder noted the adverse effect that per-hour (versus traditionally daily/nightly) standby allowances and per-body (versus typically hourly) rates would have on funeral directors across Australia, remarking:

'... that is a roll-on effect, we're going to see a lot more casual employees, but they're going to be employed for a shorter amount of time and have less work.' [Stakeholder, Funeral Services, Industry Group]

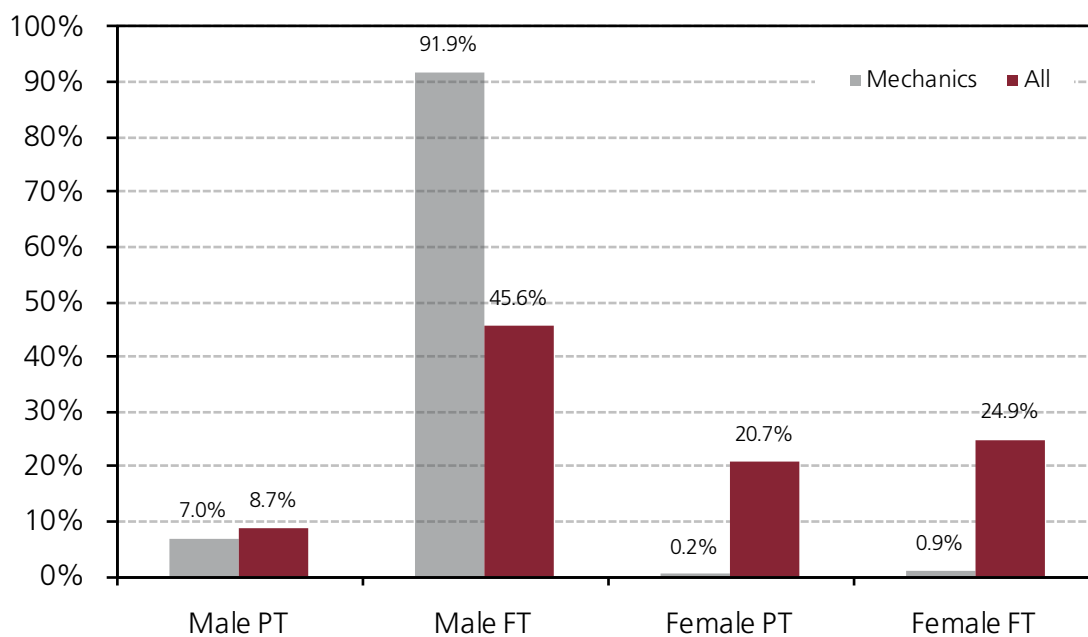
Clearly the effects of the award modernisation process remains to be seen, with an ongoing tension between simplicity and flexibility to be monitored and addressed as the process rolls out.

Occupation focus point A—motor mechanics

The Australian Government estimates that vehicle fitters and painters, panel beaters, automotive electricians and motor mechanics constitute over 115 000 jobs in Australia (Australian Government 2010), or around 1.1 per cent of total employment. Looking in detail at motor mechanics, this group of workers accounts for 79 000 (68 per cent) of these jobs. The number of motor mechanics has decreased from more than 106 000 in 2008, a trend which has coincided with the global financial crisis. Recent data suggests that these numbers have recovered slightly since November 2009.

In contrast to the workforce profile of the Other Services sector more broadly, motor mechanics tend to work in full-time jobs, and the workforce is primarily male. Over 92 per cent of motor mechanics work full time, compared to an average of around 70 per cent across the Australian economy (ABS 2009e). Almost the entire workforce is male (99 per cent), compared to a broader Australian benchmark of around 46 per cent. This is shown in Figure 33.

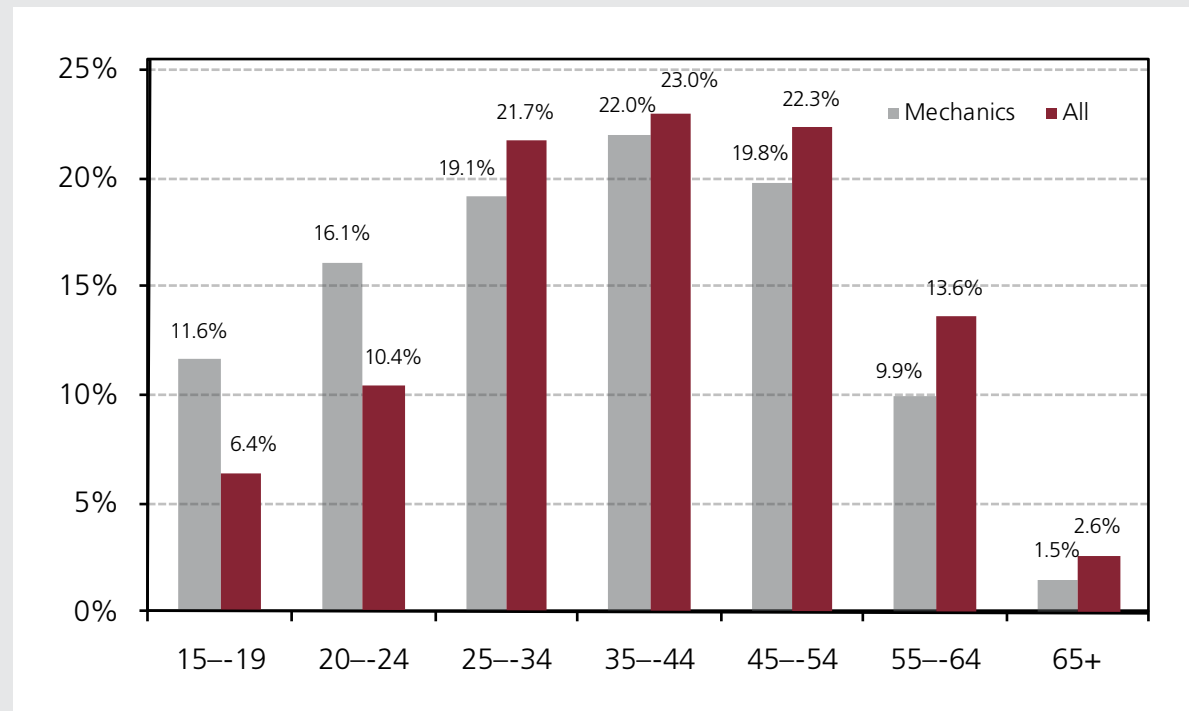
Figure 4.20: Motor mechanics, gender and employment status profile, 2009, (%)



Population: All persons employed

Source: Department of Education, Employment and Workplace Relations, 2010

The median age of motor mechanics is 37, but the occupation is strongly over-represented in the 15–24 age group. The age distribution is shown in Figure 34.

Figure 4.21: Motor mechanics, age profile, 2009

Population: All persons employed

Source: Department of Education, Employment and Workplace Relations, 2010

The over-representation of this occupation in younger groups is due to the high proportion of apprentices employed. The National Centre for Vocational Education Research (NCVER) estimate that almost 53 000 automotive and engineering apprentices were in training in September 2009 (NCVER 2010). Not all of these apprentices were training to become motor mechanics. The data also shows that the levels of apprentices in automotive and engineering trades peaked in March 2008 at around 60 000, coinciding with the peak of the global financial crisis.

Almost 62 per cent of motor mechanics possess either a Certificate III or IV qualification. A further 34 per cent have not attained post-school qualifications, but may be enrolled in further training.

The ABS estimates that hourly cash earnings for the average automotive repair and maintenance worker are \$22.90 (ABS 2009b), which is around 77 per cent of the Australian average rate. However, it is likely that the earnings distribution is highly uneven, given the prevalence of apprentices. The Vehicle Manufacturing, Repair, Services and Retail Award 2010 specifies a minimum weekly wage of \$543.90 or \$14.31 per hour.

Interviews with stakeholders and automotive workers revealed a range of experience and skills present in the workforce, from first year apprentices to seasoned mechanics. Commensurately, the wages profile of workers ranged from apprentice award rates through to those earning above-award rates. However, a skills shortage was apparent, with one respondent noting:

'... we struggle to attract apprentices [into automotive] because there's a perception the salary for a qualified tradesperson in automotive is lower than for a qualified tradesperson in, for example, electrical or carpentry.' [Stakeholder, Automotive Repair and Maintenance, Industry Association]

The perception that wages are low relative to other trades was cited as a key reason for staff shortages, along with more favourable job prospects in other industries such as construction and engineering. Participants in the study argued that the changing nature of employees' roles has worsened the skill shortage, with two respondents remarking that:

'... employers are employing motor mechanics to complete specific roles now, rather than being a motor mechanic who can pull apart an entire car and put it back together again. You have apprentices, for example, who might spend most of their time performing the same task instead of learning all the things that an apprentice would have learnt 15 or 20 years ago.' [Stakeholder, Automotive Repair and Maintenance, industry association]

'First job I worked at [company] and I hated it to be honest. It's just the same thing over and over and over again. I didn't really learn what I wanted to learn. I wanted to learn about race cars and stuff and working at a dealership, no way am I ever going to get that far ... it was just oil changes.' [Employee, Automotive Repair and Maintenance, Mechanic]

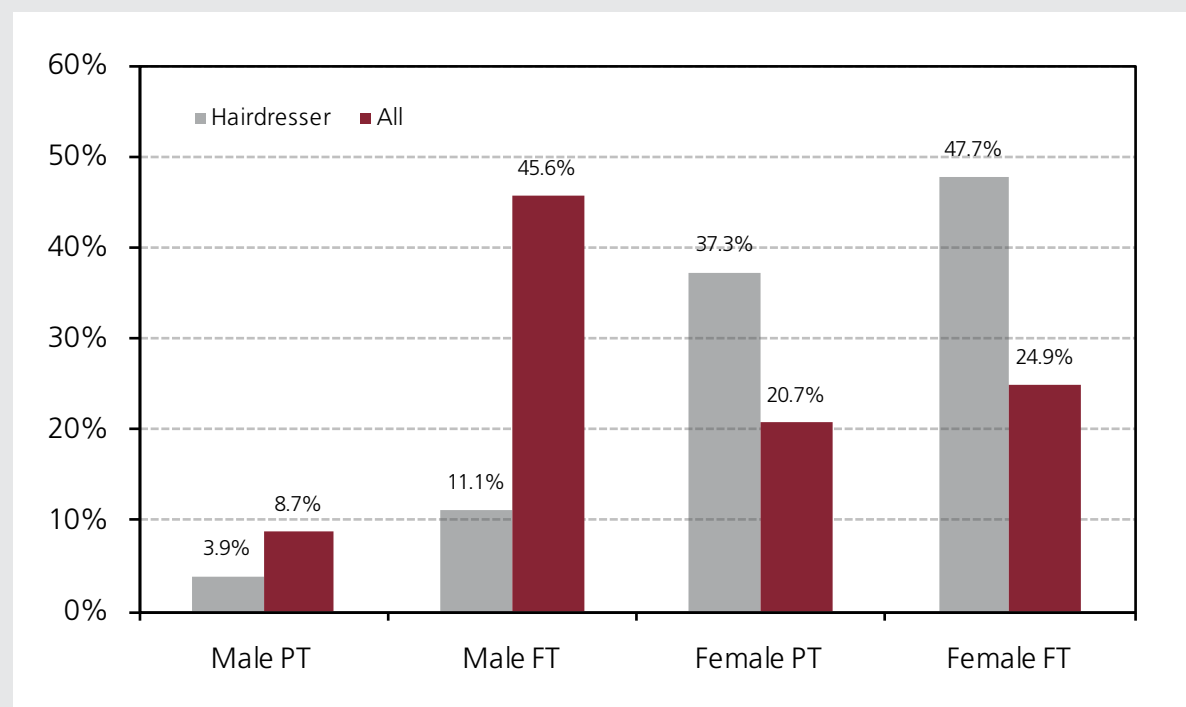
Given skills shortages and recruitment issues, respondents asserted that changes in the minimum award would have little effect on the demand for automotive workers, and indicated that experienced automotive workers were commonly paid above-award rates.

Occupation focus point B—hairdressers

The Australian Government estimates that hairdressers and beauty therapists constitute over 84,000 jobs (Australian Government, 2010), or around 0.8 per cent of total employment. Hairdressers account for almost 60 000 (71 per cent) of these jobs.

Around 59 per cent of hairdressers work full time, a relatively low percentage compared to the average of around 70 per cent of workers across the Australian economy (ABS 2009e). The workforce is predominantly female, with 85 per cent being female workers (with 43 per cent of these female workers being part time), compared to a broader Australian benchmark of around 46 per cent. This is detailed in Figure 35.

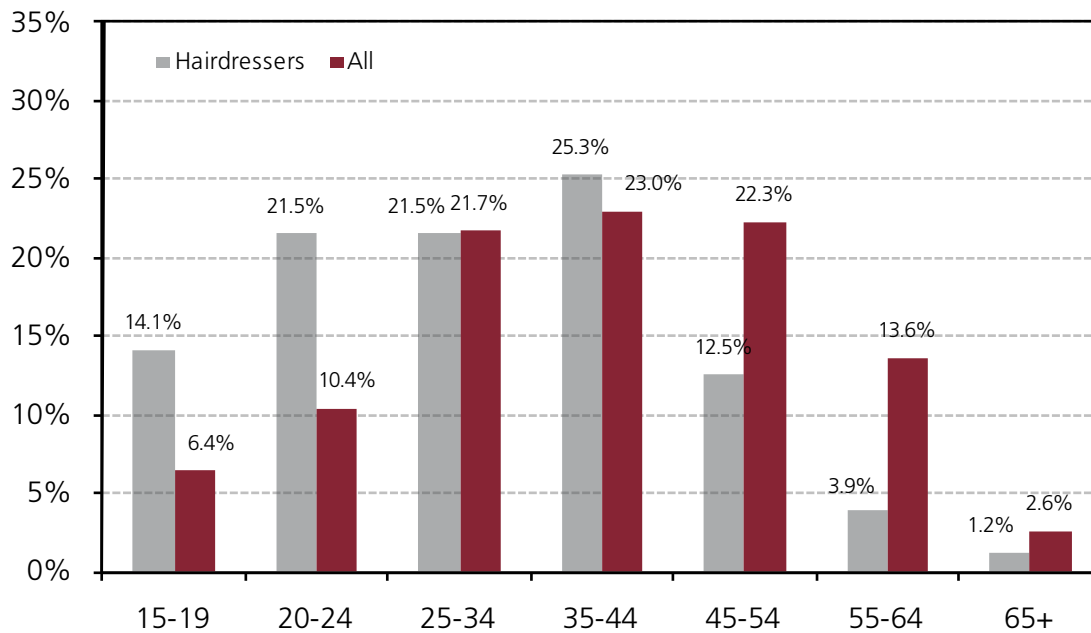
Figure 4.22: Hairdressers, gender and employment status profile, 2009, (%)



Population: All persons employed

Source: Department of Education, Employment and Workplace Relations 2010

The median age for hairdressers is 31.7 years, with the occupation strongly over-represented in the younger age groups (between 15 and 34). Over 57 per cent of the workforce is under the age of 35. The age distribution of the hairdressing workforce is detailed in Figure 36.

Figure 4.23: Hairdressers, age profile, 2009, (%)

Population: All persons employed

Source: Department of Education, Employment and Workplace Relations 2010

The NCVER estimates that more than 12 000 or around 20 per cent of hairdressers work as apprentices (NCVER 2010). This helps explain the age profile shown in Figure 36. The data also shows that the levels of apprentices peaked in March 2008 at around 14 000, coinciding with the peak of the global financial crisis.

A large proportion of hairdressers (53 per cent) possess Certificate III and IV qualifications, but 34 per cent have not attained post-schooling qualifications.

The Fair Work Ombudsman's campaign aimed at the Hair and Beauty industry found a high level of non-compliance among the 330 organisations audited to date, with 39 per cent of audits yielding either minor (e.g. recordkeeping and payslip requirements) or monetary contraventions. The key reasons given for these contraventions was uncertainty about the application of awards and recordkeeping requirements, or unfamiliarity with apprentice classifications. Interviewees employed in the hairdressing industry reported difficulty in accessing sick leave due to full appointment commitments and an aversion to 'letting the team down'.

Interviews with numerous hairdressers and stakeholders indicated high levels of turnover and attrition in the hairdressing industry, with many young hairdressers choosing to leave because of unfavourable pay and conditions. Among more experienced hairdressers, however, the tendency was to stay in the industry, typically building on their skill base through ongoing training:

'... one girl had been there for 13 years, one had been there for 10, I had been there for eight, and I think that says a lot for an employer to have girls working for you, especially in the hairdressing industry. Because people do tend to move around a lot, because they're not happy or whatever.' [Employee, Personal Care Services, hairdresser]

'... so they always have training nights, so you go to them. So one might be a creative colour, one might be colour correction, one might be men's cutting do you know what I mean? So whether they're a look and learn evening that goes for a few hours, or whether they're a full day course or a two-day course, and that just varies from salon to salon, but we're always doing that.' [Employee, Personal Care Services, hairdresser]

Hairdressers are extremely reliant on the award for their occupational classification, with 63 per cent being paid the rate in the relevant award or Pay Scale as of May 2006 (Bolton & Wheatley 2010). The ABS estimates the average hourly cash earnings of hairdressers is \$16.80, which represents just 60 per cent of the median Australian rate (ABS 2009b). The Hair and Beauty Industry Award specifies that first-year hairdressing apprentices earn between 35–45 per cent of award wage, rising to 90 per cent for a fourth-year apprentice.

Conclusion

The Other Services industry is a fragmented and heterogeneous but labour-intensive sector. It is dominated by a largely male, full-time workforce in the Repair and Maintenance category, and a largely female workforce in the Personal and Other Services category, where part-time work is much more prevalent. The sector is characterised as being highly award-reliant, particularly in sub-sectors such as Laundry and Clothing Repair and occupations such as hairdressers and motor mechanics, which are reliant on minimum wages.

The Other Services workforce is much less likely to be engaged on an employee basis than the average Australian worker. Aligned to this, a much larger proportion of Other Services workers are likely to be on individual contracts than in the broader Australian workforce. Average wage rates in the Other Services sector are well below the Australian average. Interviews with stakeholders indicated a high incidence of contract, subcontract and piece rate work in areas such as laundry work, telecommunications repair and maintenance, and Clothing and Footwear Repair. Lack of clarity regarding the form of employment was flagged as a significant issue in sex services (Brothel Keeping and Prostitution Services).

Feedback from the interviewing process flagged two critical roles for minimum wages. First, the award system provides a relativity scale between workers earning award rates and those earning above-award rates, (typically some proportion or relative amount above the award rate). This was commonly cited as the case for more experienced automotive repair and maintenance workers. Moreover, the award system was highlighted as a mechanism for preserving relativities between those reliant on awards (both directly and through over-award linkages) and those receiving steady wage increases through collectively bargained agreements.

Second, minimum wages were often emphasised as providing an essential floor to wage outcomes for sub-industries which were extremely cost competitive and prone to undercutting one another to attract customers. These sub-sectors included laundry contracting, clothing repair, and sections of the beauty industry such as nail salons. In such cases, minimum wages act as a mechanism for providing a floor for the 'race to the bottom'.

It is difficult to summarise the pressures and responses of both businesses and their workers in the Other Services industry. In this report, a range of both external and internal business factors which have effects on the individual sub-sectors has been identified. These included regulatory change in sex services and telecommunications maintenance, cost undercutting in laundry work and clothing repair, and severe skills shortages in Automotive Repair and Maintenance. These diverse pressures were reflected in the responses of the workers themselves, from minimum wage reliant laundry workers with little autonomy at work to experienced auto-workers with strong bargaining power. The prevalence of small businesses indicated that compliance and enforcement of the safety net remains a significant issue.

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Appendix A: Definitions of sub-sectors

Repair and Maintenance

Automotive Repair and Maintenance

Automotive Electrical Services

This class consists of units mainly engaged in installing and repairing automotive electrical products in a range of automotive vehicles.

Automotive Body, Paint and Interior Repair

This class consists of units mainly engaged in repairing, panel beating and/or spray painting smashed or damaged automotive vehicles. Also included are units mainly engaged in replacing, repairing and/or tinting automotive vehicle glass, units repairing the interior/exterior of automotive vehicle as well as units providing car wash or cleaning services.

Other Automotive Repair and Maintenance

This class consists of units mainly engaged in providing a wide range of mechanical and repair and maintenance services for automotive vehicles. Included are units which specialise in the repair and maintenance of particular automotive components such as brakes, clutches, mufflers, transmissions, gearboxes and other parts. Also included are units providing automotive engine repair and replacement services (except factory replacement), and motorcycle repair and maintenance services.

Machinery and Equipment Repair and Maintenance

Domestic Appliance Repair and Maintenance

This class consists of units mainly engaged in repairing and maintaining electrical, electronic and gas domestic appliances.

Electronic (except Domestic Appliance) and Precision Equipment Repair and Maintenance

This class consists of units mainly engaged in repairing and maintaining electronic equipment (except domestic appliances) such as computers and communications equipment, and/or highly specialised precision instruments.

Other Machinery and Equipment Repair and Maintenance

This class consists of units mainly engaged in the repair and maintenance of machinery and equipment not elsewhere classified. Also included in this class are units which either sharpen/install blades and saws or provide welding repair services.

Other repair and maintenance

Clothing and Footwear Repair

This class consists of units mainly engaged in repairing clothing and footwear.

Other Repair and Maintenance n.e.c.

This class consists of units mainly engaged in other repair and maintenance not elsewhere classified such as furniture, sporting equipment, musical instruments, jewellery, watches and clocks.

Personal and Other Services

Personal Care Services

Hairdressing and Beauty Services

This class consists of units mainly engaged in providing hairdressing services or in providing beauty services such as nail care services, facials or applying make-up.

Diet and Weight Reduction Centre Operation

This class consists of units mainly engaged in operating diet and weight reducing centres.

Funeral, Crematorium and Cemetery Services

Funeral, Crematorium and Cemetery Services

This class consists of units mainly engaged in preparing deceased for burial, internment or cremation in organising funerals. Also included are units operating cemeteries.

Other Personal Services

Laundry and Dry-cleaning Services

This class consists of units mainly engaged in providing a range of laundry and/or dry-cleaning services. The services provided may be operated by customers (i.e. Coin-operated or similar self-service facilities) or may be operated by the units themselves. Also included are units mainly engaged in baby napkin, linen and/or uniform hire.

Photographic Film Processing

This class consists of units mainly engaged in developing film and/or making photographic slides, prints and enlargements.

Parking Services

This class consists of units mainly engaged in providing parking space for motor vehicles, usually on an hourly, daily or monthly basis. Also included are units providing valet parking services.

Brothel Keeping and Prostitution Services

This class consists of units mainly engaged in operating brothels and providing escort and prostitution services.

Other Personal Services n.e.c.

This class consists of units mainly engaged in providing personal services not elsewhere classified.

Religious Services

Religious Services

This class consists of units mainly engaged in providing religious services and/or operating facilities such as churches, mosques, religious temples and monasteries. Also included are units which administer an organised religion or promote religious activities.

Civic, professional and other interest group services

Business and professional association services

This class consists of units mainly engaged in promoting the business interests of their members (except of organised labour associations and union members).

Labour association services

This class consists of units mainly engaged in promoting the interests of organised labour and union employees. Also included are units of associations and councils promoting such interests.

Other Interest Group Services n.e.c.

This class consists of units mainly engaged in activities which promote the interests of their members (except religious, business and professional, and labour association services). Included in this class are units providing a range of community or sectional interests or in providing civic and social advocacy services not elsewhere classified.

Private Households Employing Staff and Service-Producing Activities of Household for Own Use

Private Households Employing Staff and Service-Producing Activities of Household for Own Use

Private Households Employing Staff

This class consists of units mainly engaged in employing workers on or about household premises in activities primarily concerned with the operation of the household. These units may employ individuals such as cooks, maids, nannies, butlers and chauffeurs, as well as outside workers such as gardeners, caretakers and other maintenance workers.

Undifferentiated goods-producing activities of private households for own use

This class consists of units mainly engaged in a range of subsistence goods-producing activities relating to households' production of goods for their own subsistence. These activities include hunting and gathering, farming and the production of shelter, clothing and other goods by the household for its own subsistence.

Undifferentiated service-producing activities of private households for own use

This class consists of units mainly engaged in a range of subsistence services-producing activities relating to households. These activities include cooking, teaching, caring for household members and other services produced by the household for its own subsistence.

Appendix B: Definitions of employees

The *ABS Labour Force Survey* (cat.no 6202.0) defines persons employed as:

- All persons aged 15 years and over who, during the reference week:
 - worked for one hour or more for pay, profit, commission or payment in kind in a job or business, or on a farm (comprising employees, employers and own account workers), or
 - worked for one hour or more without pay in a family business or on a farm (i.e. contributing family workers), or
 - were employees who had a job but were not at work and were:
 - : away from work for less than four weeks up to the end of the reference week, or
 - : away from work for more than four weeks up to the end of the reference week and received pay for some or all of the four-week period to the end of the reference week, or
 - : away from work as a standard work or shift arrangement, or
 - : on strike or locked out, or
 - : on workers' compensation and expected to return to their job, or
 - : were employers or own account workers, who had a job, business or farm, but were not at work.

The LFS definition of employee refers to those who:

- worked for a public or private employer; and
- received remuneration in wages, salary, or are paid a retainer fee by their employer and worked on a commission basis, or for tips or piece-rates or payment in kind; or
- operated their own incorporated enterprise with or without hiring employees.

The *ABS Forms of Employment Survey* (cat.no 6359.0) defines the following categories of employment:

Employees: people who work for a public or private employer and receive remuneration in wages or salary. Employees are engaged under a contract of service (an employment contract) and take directions from their employer/supervisor/manager/foreperson on how the work is performed.

Independent contractors: people who operate their own business and who contract to perform services for others without having the legal status of an employee, i.e. people who are engaged by a client, rather than an employer. Independent contractors are engaged under a contract for services (a commercial contract), whereas employees are engaged under a contract of service (an employment contract). Independent contractors' employment may take a variety of forms, for example, they may have a direct relationship with a client or work through an intermediary. Independent contractors may have employees; however, they spend most of their time directly engaged with clients or on client tasks, rather than managing their staff.

Other business operators: people who operate their own business, with or without employees, but who are not operating as independent contractors. Other business operators are distinguished from independent contractors in that they typically generate their income from managing their staff or from selling goods or services to the public, rather than providing a labour service directly to a client. Other business operators spend little time working on client tasks with most of their time spent on managing their employees and/or business.

