



# Research Report 1/2017

## **Award-reliant workers in the household income distribution**

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This paper uses unit record data from the Household, Income and Labour Dynamics in Australia (HILDA) Survey. The HILDA Project was initiated and is funded by the Australian Government Department of Social Services (DSS) and is managed by the Melbourne Institute of Applied Economic and Social Research (Melbourne Institute). The findings and views reported in this paper, however, are those of the author and should not be attributed to either DSS or the Melbourne Institute.

The contents of this paper are the responsibility of the author and the research has been conducted without the involvement of members of the Fair Work Commission.

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- Australian Chamber of Commerce and Industry (ACCI);
- Australian Industry Group (Ai Group);
- Australian Council of Social Service (ACOSS);
- Australian Council of Trade Unions (ACTU);
- Australian Government; and
- state and territory governments.

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The contents of this report, however, remain the responsibility of the authors.

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## 1 Introduction

This paper is published to inform the Expert Panel for annual wage reviews (Panel) as part of the research program for the *Annual Wage Review 2016–17*.<sup>1</sup> It aims to analyse the location and characteristics of award-reliant employees across the distribution of household disposable income. The research relates to the minimum wages and modern awards objective that states the Fair Work Commission takes into account “relative living standards and the needs of the low paid”.<sup>2</sup>

In order to understand the effects of minimum wages on the distribution of household income it is most appropriate to examine award-reliant employees. In the *Annual Wage Review 2015–16* (2015–16 Review), the Panel stated ([2016] FWCFB 3500 at para. 410):

Increases in the minimum wage and award classification wages do have a role to play as part of a package of measures to address the relative living standards and the needs of the low paid. So much is evident from the minimum wages objective and the modern awards objective in the Act. The potential contribution of increases in the minimum wage and award classification wages is made more apparent by the focus on employee households.

The Panel has also acknowledged that there are award-reliant employees that are not low paid “in the usual sense” and that the circumstances of these employees are relevant to their assessment.<sup>3</sup> In the *Annual Wage Review 2013–14*, the Panel stated “[i]t is necessary in doing so to have regard to whether minimum award rates at higher classification levels provide a fair and relevant safety net for award-reliant employees at those classification levels” ([2016] FWCFB 3500 at para. 321).

This paper analyses the Household, Income and Labour Dynamics in Australia (HILDA) survey to assess the location and characteristics of award-reliant employees in the household income distribution using the latest release, wave 15.

The HILDA survey is the only data source that allows for award-reliant employees to be linked to household income and their characteristics. It is one of few data sources that identify award reliance, collecting how pay is set for employees since wave 8 (2008). Award reliance in this paper is defined as an employee paid at exactly the award rate of pay.

As the paper refers to award-reliant employees and their household income, the household income distribution is considered across employee households—that is, households with at least one employee—and equivalised to control for different household sizes and needs. Individual, work and household characteristics are analysed. The results separate the household income distribution into deciles. The characteristics that are used to analyse award-reliant employees were selected based on their relevance to their effects on the household income distribution from wage decisions.

The paper finds that around 70 per cent of award-reliant employees are located in the bottom half of the household income distribution and almost half are located in the bottom three deciles. This compares with fewer than 15 per cent in the highest three deciles.

Award-reliant employees located in the bottom three deciles are evenly divided between females and males. Almost one in five award-reliant employees work full-time hours and are located in the

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<sup>1</sup> See <https://www.fwc.gov.au/awards-agreements/minimum-wages-conditions/annual-wage-reviews/annual-wage-review-2016-17/research>.

<sup>2</sup> ss.284(1)(c) and 134(1)(a), *Fair Work Act 2009* (Cth).

<sup>3</sup> [2016] FWCFB 3500 at para. 370.

bottom three income deciles. However, more than half of award-reliant employees located in the bottom three deciles prefer to work “about the same” number of hours as their current hours. While over one-third of award-reliant employees are students, they are evenly divided between dependent and non-dependent students, with more than half of award-reliant employees that were dependent students located in the bottom half of the household income distribution.

These results differ to analysis presented in Wilkins and Wooden (2011) as well as the *Workplace Relations Framework Inquiry Report* by the Productivity Commission (2015). Although these analyses also use the HILDA Survey, results are obtained from a different sample—that being all households. While Wilkins and Wooden (2011: 16) find that award-reliant workers “are not especially concentrated in poor households”, the Productivity Commission (2015: 209) finds that many workers paid close to the minimum wage live in middle income households and employees in lower income households are more likely to be paid around the minimum wage rate.

However, findings presented in the Australian Government submission to the 2015–16 Review and published in the 2015–16 Review decision are similar with those reported in this paper. Although low-paid employees are used rather than award-reliant workers, the sample obtained from the HILDA survey is also restricted to employee households. The analysis finds that there are a higher proportion of low-paid employees in the lower deciles than the top deciles—around 65 per cent were located in the bottom five income deciles and around 30 per cent in the bottom two deciles ([2016] FWCFB 3500 at para. 403).

Research on the location of award-reliant employees across the income distribution is limited and no existing research has considered the characteristics presented here in relation to household income. As such, this paper is the first to examine both the location and characteristics of award-reliant employees in the household income distribution.

The paper is structured as follows. Chapter 2 provides a discussion of some of the relevant literature. Chapter 3 discusses the data sources and derivations of terms used in the analysis. Chapter 4 presents the overall distribution of award-reliant employees across the household income distribution. Chapters 5 to 7 analyse the characteristics of award-reliant employees categorised into individual, work and household characteristics, respectively. Chapter 8 concludes the paper.

## 2 Data and methodology

### 2.1 Data

Data sources commonly used to examine income distributions in Australia include surveys from the Australian Bureau of Statistics (ABS), such as the Survey of Income and Housing (SIH) and the Household Expenditure Survey (HES). Studies have used these or similar ABS surveys to examine low-paid workers (see Richardson (1998) and Harding and Richardson (1999)).

Among ABS data sources, method of setting pay is only collected in the Survey of Employee, Earnings and Hours (EEH). Healy (2011) used the EEH to identify where award-reliant workers were located to illustrate the link between award reliance and low pay. Healy used a combination of occupation and weekly earnings to identify award-reliant employees and applied this to the income distribution derived from the SIH and HES datasets. However, Healy (2011: 178) explained that this method “cannot and does not claim to identify the beneficiaries of safety net wage adjustments directly to the SIH and HES datasets.”

In reference to the above studies, Wilkins and Wooden (2011: 7) commented that “data sets are needed that provide both information about reliance on awards and extensive information about workers and their families”.

The HILDA survey is therefore the only data source that allows employees reliant on award rates of pay to be linked to household income and other family, individual and work characteristics, as it collects information on a variety of household and individual characteristics. The HILDA survey is also a nationally representative panel study that began in 2001 and 15 waves of data are currently available.

Wilkins (2015) noted limitations of the HILDA survey and explained that lower response rates and attrition may lead it to be less representative of the Australian population, which is further exacerbated by the limited information it captures on new immigrants. An attempt was made to address this issue by including a top-up to the sample in wave 11 (2011). However, Wilkins also remarked that the HILDA survey may provide a less accurate representation of the distribution of household income than the SIH, claiming that “it is possible that attrition, while minimal, biases the HILDA Survey towards excessive stability in the income distribution” (Wilkins 2015: 98).

Wilkins and Wooden (2011) assessed the quality of the variable that collects information on how pay is set for employees after initial concerns that individuals would not be able to provide accurate responses as they may not know the industrial instrument that sets their pay. The paper compared the results from wave 8 of the HILDA survey to the ABS Survey of Employee Earnings and Hours, 2008 (EEH). The HILDA survey found a larger proportion of employees paid exactly the award rate. One reason provided by the authors was that a number of employees in the public sector responded they were award reliant when the 2008 EEH found that virtually no employees in the public sector were award reliant.<sup>4</sup> As such, the authors concluded meaningful inferences could be drawn once employees in the public sector were not considered to be award reliant, an approach taken in this paper.

Extending the analysis undertaken by Wooden (2010), the paper by Wilkins and Wooden is the most recent study to examine award reliance in the household income distribution. They applied the revised definition of award reliance to determine the location of award-reliant employees across the household disposable income distribution, adjusted by a modified OECD equivalence scale, for all households rather than employee households. The analysis found that most award-reliant employees were not located at the bottom of the household income distribution and were instead located throughout the distribution. Further analysis found that the majority of award-reliant employees in the bottom quintile worked part-time hours.

An additional consideration by Wilkins and Wooden was that, as total income is measured across the financial year, total household income for employees may be influenced by periods of joblessness. This issue arises as each characteristic, including award reliance, is only measured at a point in time. To account for this, they considered only employees employed continuously throughout the financial year, and found that award-reliant employees were relatively more likely to be concentrated higher across the household income distribution.

The analysis in this paper uses data from wave 15 (2015) of the HILDA survey.

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<sup>4</sup> The authors explain that one reason for the over-reporting of award reliance among public sector employees is that the question on how pay is set asks whether employees are paid exactly the award or Australian Pay and Classification Scale rate which may have sound similar to the pay scales in the Australian public service enterprise agreements.



## 2.2 Methodology

This section provides a discussion on the method used to derive a distribution of equivalised household income and award reliance.

The Expert Panel explained that the distribution of low-paid workers across employee households, preferably households for which the principal source of income is wages, provides the best basis for assessing the relative living standards and the needs of the low paid. Analysing all households includes households for which government pensions and allowances are the main source of household income who also comprise a substantial portion of households in the lower deciles of the household income distribution ([2016] FWCFB 3500 at para. 400).

The HILDA survey provides the total financial year disposable income for households and individuals, which is used to derive the distribution of household disposable income. The variables include irregular payments such as severance pay and inheritances.

In order to create a distribution of household disposable income, first a household income variable was created with one observation per household (allocated to one member of the household). In order to control for different household sizes and incomes needs, household incomes were “equivalised” using a modified OECD scale (see Chapter 8 in OECD 2013). Household income is divided by a weighted sum of the household size with adults given a weight of 0.5 and children a weight of 0.3. The deciles were created using this variable with one observation per household. The total sample contained 9520 households.

Following this, an indicator for each decile of household income was created and each household was assigned an indicator for the deciles in which they were located. This indicator was assigned to each member of a household. Household characteristics were also repeated over each member of the household. This allows for the characteristics of households, such as income, to be linked to the individual characteristics of household members, such as method of setting pay.

The final sample contained 6024 employee households and 9424 employees. The following tables provide a description of the samples sizes of employee households and employees.

Almost half of employee households were one or two person households. The sample of employees was relatively evenly divided between males and females. Almost half of the employee sample was aged 25–44 years with over one third aged 45 years or over.

**Table 1: Employee household sample by household size**

Households	No.	Per cent (weighted)
One person	1280	17.8
Two persons	1855	27.4
Three persons	986	18.6
Four persons	1158	21.6
More than four persons	745	14.3
	6024	100

Source: HILDA Survey, wave 15.

**Table 2: Employee sample by award reliance, gender and age**

Employees	No.	Per cent (weighted)
Award reliant	1761	20.5
Not award reliant	7229	79.5
	8990	100
Male	4455	51.4
Female	4535	48.6
	8990	100
15–24 years	1749	18.3
25–44 years	3984	45.6
45 years	3257	36.1
	8990	100

Source: HILDA Survey, wave 15.

### 2.2.1 Award reliance

The definition of award reliance in the HILDA survey is equivalent to the EEH, the main survey used by the Panel to assess the characteristics of award-reliant employees. The HILDA survey asks all employees how their pay is currently set and award-reliant employees are defined as those paid at exactly the award rate. Although the EEH excludes the Agriculture, forestry and fishing industry, employees in this industry are included in the HILDA survey and in this analysis. The sample is also restricted to the working age population (15–64 years).

However, the design of the HILDA survey is different to the EEH and therefore some of the results may not match with the findings of the EEH. The HILDA survey is a household survey that is not designed to capture employees only, while the EEH is a survey of employees with data collected from their employers.<sup>5</sup>

While the variable that identifies the method in which an employee's pay is set in the HILDA survey has limitations, the rich list of variables and its ability to identify award-reliant employees and variables on household income with other characteristics results in the HILDA survey being a unique and resourceful survey.

<sup>5</sup> The 2016 EEH contained data for approximately 53 000 employees from a sample of approximately 8200 employers.

Using the method proposed in Wilkins and Wooden 2011, employees in the public sector that responded they were paid exactly the award rate are considered to be paid by a collective (enterprise) agreement. After re-classifying public sector employees as being paid by collective agreements, 1801 employees were considered to be award reliant. Taking the weighted proportion, this corresponds to 20.5 per cent of employees.<sup>6</sup>

This paper relates award-reliant employees and their household income. As such, for the final sample used in the analysis, a further 40 award-reliant employees and 157 employees on other arrangements who did not report household income in the HILDA survey were excluded. Therefore, the final sample comprises a total of 8990 employees of which 1761 are award-reliant. Note that in some analyses when incorporating characteristics, the actual sample may be smaller. This is because characteristics are derived from additional questions in the HILDA survey, each of which comprises marginally different samples due to missing values caused by survey participants not responding to all questions.

As raised by Wilkins and Wooden (2011), there may be some disconnect between the data on award reliance and other characteristics which are captured by the HILDA survey at a point in time and household disposable income, which is measured over the previous financial year. Many of these characteristics may change over the course of a year and therefore may not reflect characteristics over the previous financial year during which income was earned. However, it is difficult to alleviate this problem. Wilkins and Wooden also commented that some employees may be located in lower income households due to experiencing periods of joblessness throughout the year. As a result, only employees who were continuously employed during the financial year were considered in their study. However, for this research, employee status is based on the point-in-time estimate provided in the HILDA survey. For this reason, as well as the decision to measure award reliance across the income distribution of employee households rather than all households, results between this paper and Wilkins and Wooden may differ.

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<sup>6</sup> Including these public sector employees increases the proportion of award-reliant employees to 27 per cent. The proportion of award-reliant employees reduces to 20.4 per cent after excluding employees in Agriculture, forestry and fishing and is comparable to the 22.7 per cent in the 2016 EEH and the 18.8 per cent in the 2014 EEH. Employees who did not know their method of setting pay are excluded from the analysis.

**Table 3: Number of employees by employee household decile**

Employee household income distribution	Award-reliant employees	Not award-reliant employees	Total
Decile	(No.)	(No.)	(No.)
1	322	467	789
2	233	510	743
3	251	580	831
4	211	689	900
5	182	784	966
6	169	785	954
7	130	837	967
8	115	828	943
9	94	900	994
10	54	849	903
	1761	7229	8990

Source: HILDA Survey, wave 15

### 3 Award reliance and household income

Figure 1 compares the location of award-reliant employees across the household disposable income distribution for both all and employee households. The proportions presented in each chart are rounded to the nearest integer.

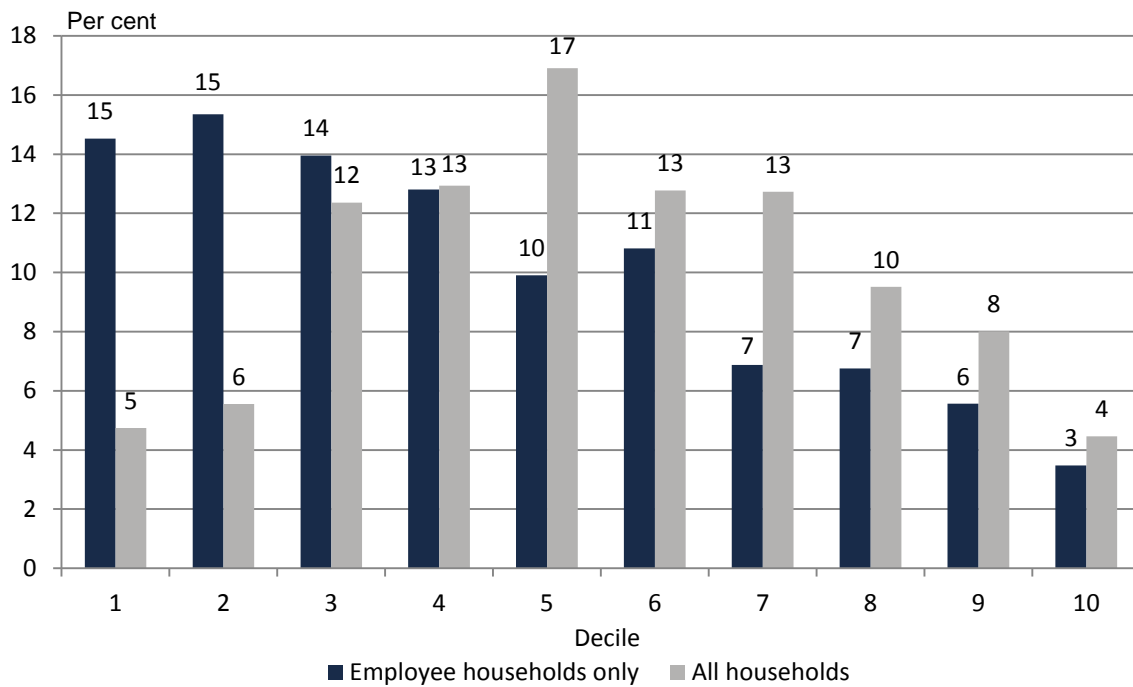
The figure shows that a higher proportion of award-reliant employees were located across the lower deciles, particularly among employee households. Across all households, 52.5 per cent of award-reliant employees were located in the bottom half of the household income distribution, whereas this proportion increases to 66.5 per cent across employee households.<sup>7</sup>

The analysis in this paper focuses on households that contain at least one employee. When restricted to employee households only, more than 40 per cent of award-reliant employees were located in the bottom three deciles of the household income distribution. In contrast, fewer than one in six award-reliant employees were located in the top three deciles.

The proportion of award-reliant employees in each household income decile may differ from what is presented in Figure 1 for the analysis of characteristics in subsequent chapters due to missing responses.

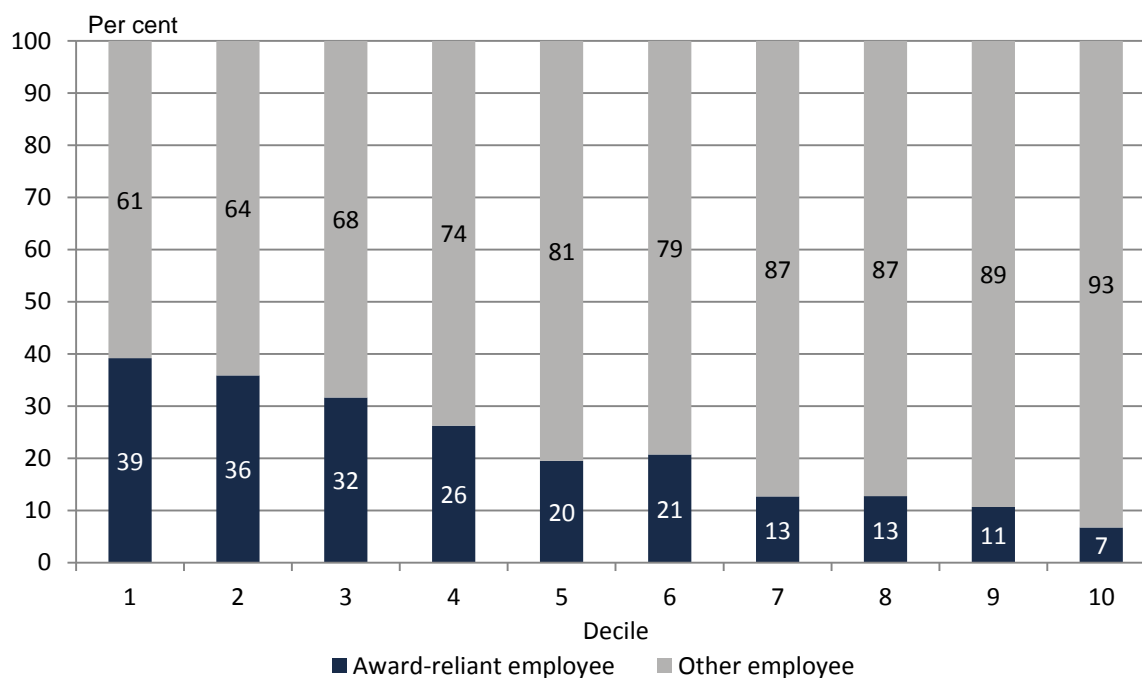
<sup>7</sup> The analysis finds that 10.8 per cent of award-reliant employees were located in the bottom two deciles of the household income distribution across all households compared with 11.7 per cent in Wilkins and Wooden (2011).

**Figure 1: Distribution of award reliant across household income for all households and employee households**



Source: HILDA Survey, wave 15.

Although the focus of this paper is on the location of award-reliant employees across the household income distribution, Figure 2 provides an alternative interpretation of the findings by showing the proportion of employees within each household income decile by method of setting pay. This approach allows for a comparison across each decile. For example, the figure shows that award-reliant employees were more likely to be located across the bottom half of the household income distribution, and especially across the bottom three income deciles than across higher deciles. The figure shows that 39 per cent of employees located in the first decile were award reliant, 36 per cent in the second decile and 32 per cent the third decile compared with 13 per cent in the eighth decile, 11 per cent in the ninth decile and 7 per cent in the tenth decile.

**Figure 2: Household income deciles by award reliance**

Note: Employees who answered “don’t know” (1.3 per cent of employees) to the question on method of setting pay are excluded.

Source: HILDA Survey, wave 15.

The following sections examine individual, work and household characteristics of award-reliant employees across the household income distribution. The characteristics were selected as they can provide an understanding of the types of workers affected by annual wage review decisions. The analysis considers the location in the distribution of household income of award-reliant employees separately for each characteristic which can also assist with understanding the relative living standards of these workers.

The figures presented in this chapter provide information on the absolute sizes of the group for each characteristic, where the shares for all award-reliant employees add to 100 per cent. The analysis shows the extent to which differences in a particular characteristic are spread across the distribution of household income. Note that as the proportions in each figure are rounded to the nearest integer, numbers presented in the chart may not always sum to the total decile number or to 100 per cent.

In addition, some of the analysis also focuses on the location of award-reliant employees for a particular characteristic across the distribution of household income. This allows for analysis of award-reliant employees between the higher and lower ends of the household income distribution with the same characteristic. These data are presented in the Appendix.

### 3.1 Individual characteristics

This chapter examines the individual characteristics of award-reliant employees across the household income distribution. The characteristics examined are gender, age and location.

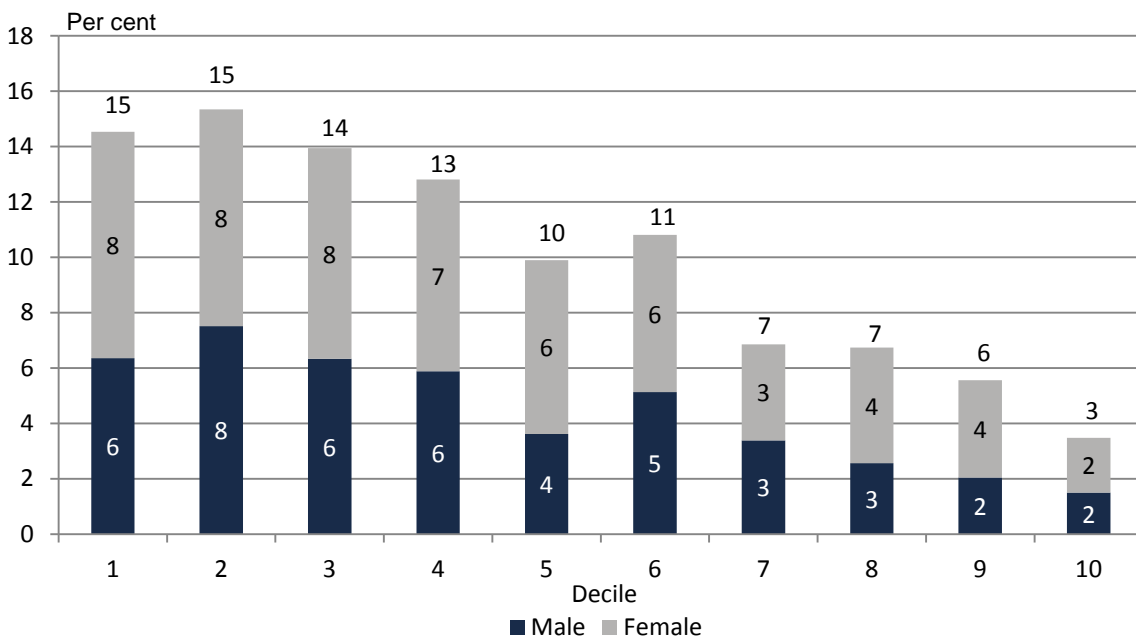
### 3.1.1 Gender

The distribution of award-reliant employees by gender across the household income distribution is shown in Figure 3.

Among this sample, 56 per cent of award-reliant employees were female and 44 per cent were male. The proportion of males and females located across the bottom half of the household income distribution was relatively similar.

At the higher end of the distribution, a relatively higher proportion of females were located across the highest three deciles, however, this comprised less than 10 per cent of all award-reliant employees.

**Figure 3: Distribution of award-reliant employees by household income and gender**



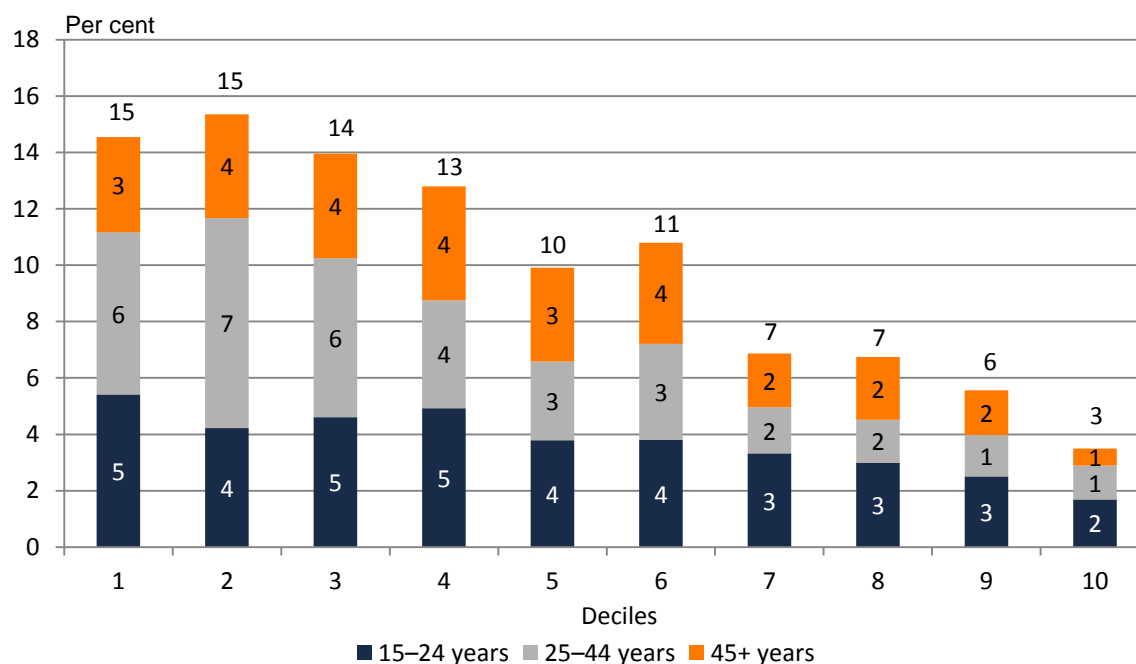
Source: HILDA Survey, wave 15.

### 3.1.2 Age

Figure 4 presents award-reliant employees across the household income distribution by age group. Age is presented in three categories: 15–24 year olds (37.3 per cent), 25–44 year olds (34.7 per cent) and those aged 45 years and over (28.0 per cent).

The figure shows that around one quarter of all award-reliant employees were aged 15–24 years and 25–44 years, respectively, and were also located across the bottom half of the household income distribution.

However, when analysing proportions within each age group, Figure A1 shows that the majority (74 per cent) of award-reliant employees aged 25–44 years were located across the bottom three deciles, compared with around 60 per cent of younger (15–24 year olds) and older (45 years and over) award-reliant employees. Award-reliant employees in the top three deciles were more likely to be aged 15–24 years than in the other age groups.

**Figure 4: Distribution of award-reliant employees by household income and age**

Source: HILDA Survey, wave 15.

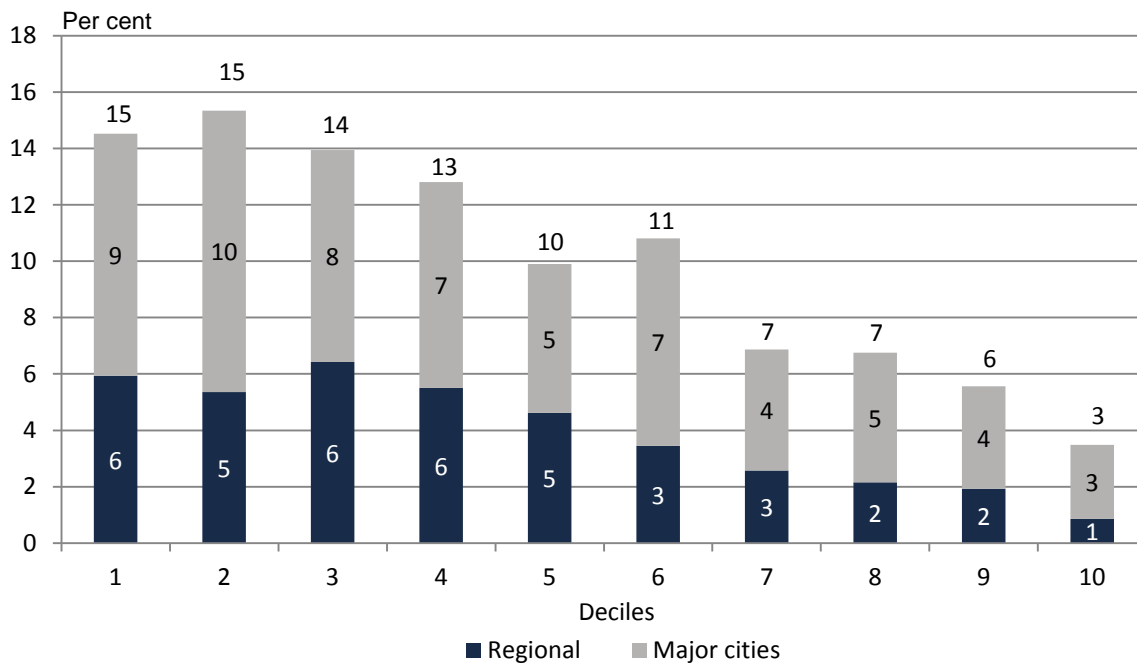
### 3.1.3 Location

Figure 5 presents award-reliant employees across the household income distribution by their location. Award-reliant employees are defined as being in either regional areas or a major city according to Remoteness Areas from the Australian Statistical Geography Standard (ABS 2013). Regional areas are defined as inner regional, outer regional, remote and very remote Australia.

The majority of award-reliant employees (61 per cent) were located in major cities. Award-reliant employees in regional areas were more likely to be located in the bottom half of the household income distribution.

Over 70 per cent of award-reliant employees in regional areas were located across the bottom half of the household income distribution compared with over 60 per cent of those in major cities.



**Figure 5: Distribution of award-reliant employees by household income and location**

Source: HILDA Survey, wave 15.

## 3.2 Work characteristics

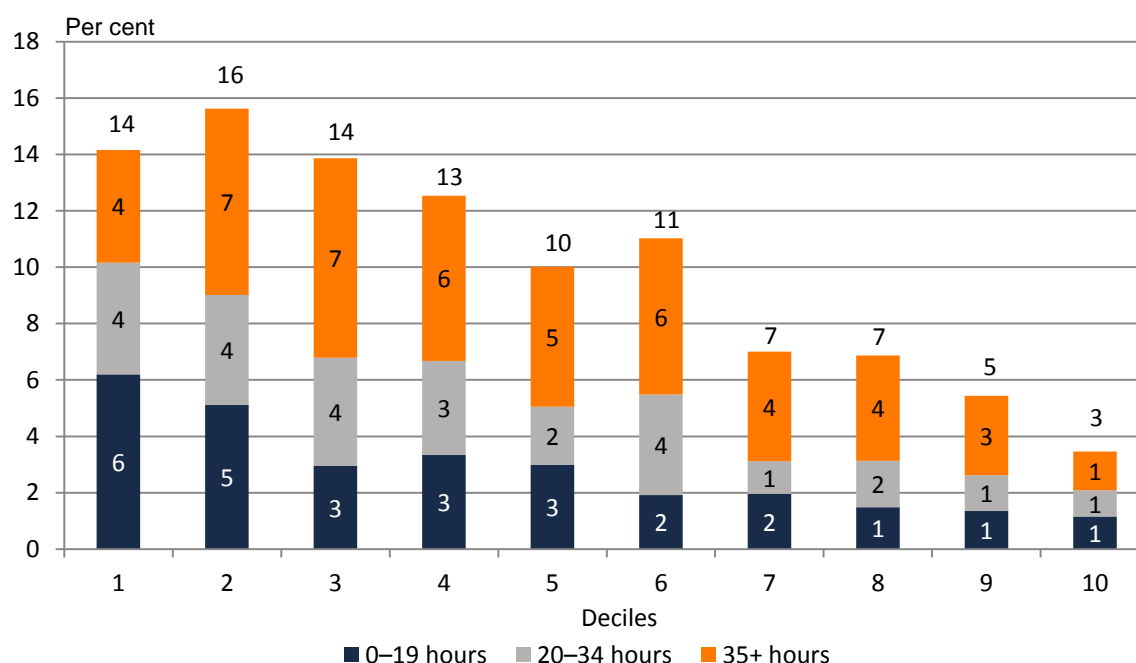
The analysis of the characteristics of award-reliant employees across the household income distribution begins by focusing on hours of work, industry and occupation.

### 3.2.1 Hours of work

The hours worked by award-reliant employees across the household income distribution are shown in Figure 6. This section explores whether the reason for lower household income is due to fewer hours worked.

Hours worked is presented in three categories: fewer than 20 hours, 20 to fewer than 35 hours and 35 or more hours (i.e., full-time work). Award-reliant employees were more likely to work over 35 hours (46 per cent), followed by fewer than 20 hours (29 per cent) and 20 to fewer than 35 hours (26 per cent).

The figure shows that 29 per cent of award-reliant employees worked full-time hours and were located in the bottom half of the household income distribution. This compares with almost 40 per cent of award-reliant employees who worked part-time hours and were located in the bottom half of the household income distribution, with over half of these working fewer than 20 hours. Around 16 per cent of award-reliant employees worked part-time hours and were located in the top half of the household income distribution, with around half of these working fewer than 20 hours.

**Figure 6: Distribution of award-reliant employees by household income and hours worked**

Note: The household income distribution is affected by some employees not responding to this question.

Source: HILDA Survey, wave 15.

Part-time employees were relatively more likely to be located in the bottom two deciles, with around 40 per cent of award-reliant employees working fewer than 20 hours per week located in the bottom two deciles of the household income distribution, compared with around 30 per cent of those that worked 20–34 hours and less than one quarter of full-time award-reliant employees (Figure A2).

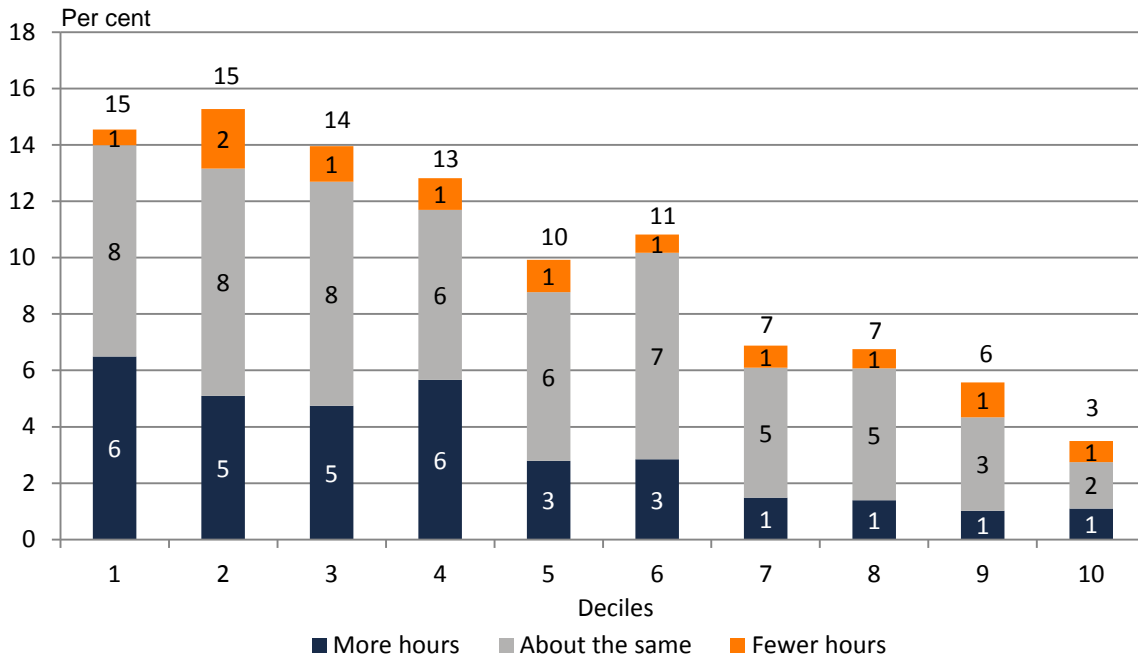
Figure 7 presents the preferences for hours of work for award-reliant employees across the household income distribution. Hours preferences are determined by a question in the HILDA survey which asks whether respondents would prefer to work more, less or about the same hours taking into account how that would affect their income.<sup>8</sup>

The largest group among award-reliant employees were those who responded that their preferred hours of work were “about the same” as their current hours (57 per cent), followed by those who preferred more hours (33 per cent) and those who preferred fewer hours (10 per cent).

Across the overall distribution, around one quarter of award-reliant employees preferred to work more hours and were also located in the bottom half of the household income distribution, while around 35 per cent preferred to work about the same number of hours and were located in the bottom half of the household income distribution.

<sup>8</sup> The survey does not ask respondents that prefer to work more hours if they are available to work more hours.

**Figure 7: Distribution of award-reliant employees by household income and preference for hours of work**



Source: HILDA Survey, wave 15.

Figure A3 shows that around three quarters of award-reliant employees who preferred working more hours were located across the bottom half of the distribution compared with around 60 per cent of award-reliant employees who preferred working fewer hours and award-reliant employees who preferred working about the same hours. The data suggests that preference for working more hours decreases with household income.

### 3.2.2 Industry

This section presents the distribution of award-reliant employees by the industry of their current main job as represented by the Australian and New Zealand Standard Industrial Classification (ANZSIC). Analysis by industry is important as award reliance varies across the different industries.

The following analysis focuses on industries in which the greatest share of award-reliant employees are located with the remaining industries grouped together. Table 4 shows that the industries with the greatest proportion of award-reliant employees were Retail trade, Accommodation and food services and Health care and social assistance.

**Table 4: Award-reliant employees by industry**

<b>Industry</b>	<b>Per cent of all employees</b>	<b>Per cent of all award-reliant employees</b>	<b>Per cent of industry award reliant</b>
Retail trade	9.7	18.2	37.2
Accommodation and food services	6.8	19.5	57.6
Health care and social assistance	15.0	16.7	21.2
Manufacturing	7.7	8.2	22.6
All other industries	60.9	37.4	13.2
<b>Total</b>	<b>100</b>	<b>100</b>	

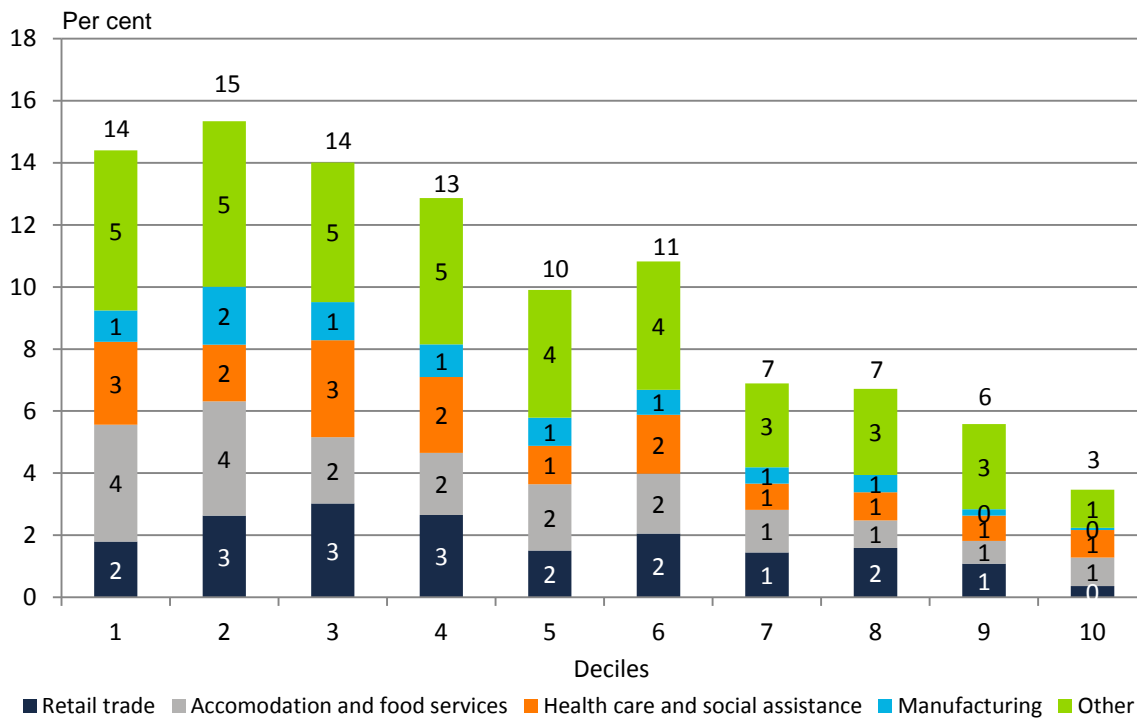
Note: All other industries comprise Administrative and support services; Agriculture, forestry and fishing; Arts and recreation services; Construction; Education and training; Electricity, gas, water and waste services; Financial and insurance services; Information media and telecommunications; Mining; Other services; Professional, scientific and technical services; Public administration and safety; Rental, hiring and real estate services; Transport, postal and warehousing and Wholesale trade. The award-reliant industries are different to those described in annual wage review decisions that are based on the EEH.

Source: HILDA Survey, wave 15.

The proportion of award-reliant employees in each industry by household income decile is shown in Figure 8. Across the overall distribution around 43 per cent of award-reliant employees are employed in the four most award-reliant industries (according to the HILDA survey) and are located in the bottom half of the household income distribution. Most of these were employed in Retail trade or Accommodation and food services (around one quarter of award-reliant employees were employed in either Retail trade or Accommodation and food services and were also located in the bottom half of the household income distribution). This was around the same proportion as award-reliant employees in 'other industries'.

Around 12 per cent of award-reliant employees were employed in Retail trade and Accommodation and food services and located in the top half of the household income distribution.

**Figure 8: Distribution of award-reliant employees by household income and industry**



Note: The household income distribution is affected by some employees not responding to this question.

Source: HILDA Survey, wave 15.

Figure A4 shows that almost half of award-reliant employees working in Accommodation and food services (49 per cent) and Health care and social assistance (46 per cent) were distributed across the bottom three deciles. However, a relatively higher proportion of award-reliant employees working in Health care and social assistance and in Other industries were located across the top three deciles

### 3.2.3 Occupation

Classifications in modern award minimum wages are generally set by occupation. Table 5 presents the proportion of award-reliant employees by the Australian and New Zealand Standard Classification of Occupations (ANZSCO), which is captured in the HILDA survey. Analysis by occupation is important as award reliance varies across the different occupations.

The table shows that the most common occupations for award-reliant employees are Community and personal service workers, Labourers and Sales workers. The analysis focuses on these occupations as they comprise over 60 per cent of all award-reliant employees.

Occupations are broadly grouped by skill level.<sup>9</sup> Another way to measure skill level is to consider highest educational attainment. However, this approach is limited in dealing with employees that are currently studying.<sup>10</sup> For example, employees that are undertaking tertiary education whose

<sup>9</sup> See ABS, ANZSCO – Australian and New Zealand Standard Classification of Occupations, 2013, Version 1.2, Catalogue No. 1220.0.

<sup>10</sup> Students are considered in section 7.2 based on whether they are dependent or non-dependent.

highest educational attainment is high school would be considered the same as an older worker whose highest educational attainment is also high school yet has not undertaken further education. This may not be an accurate reflection of a worker's skill level.

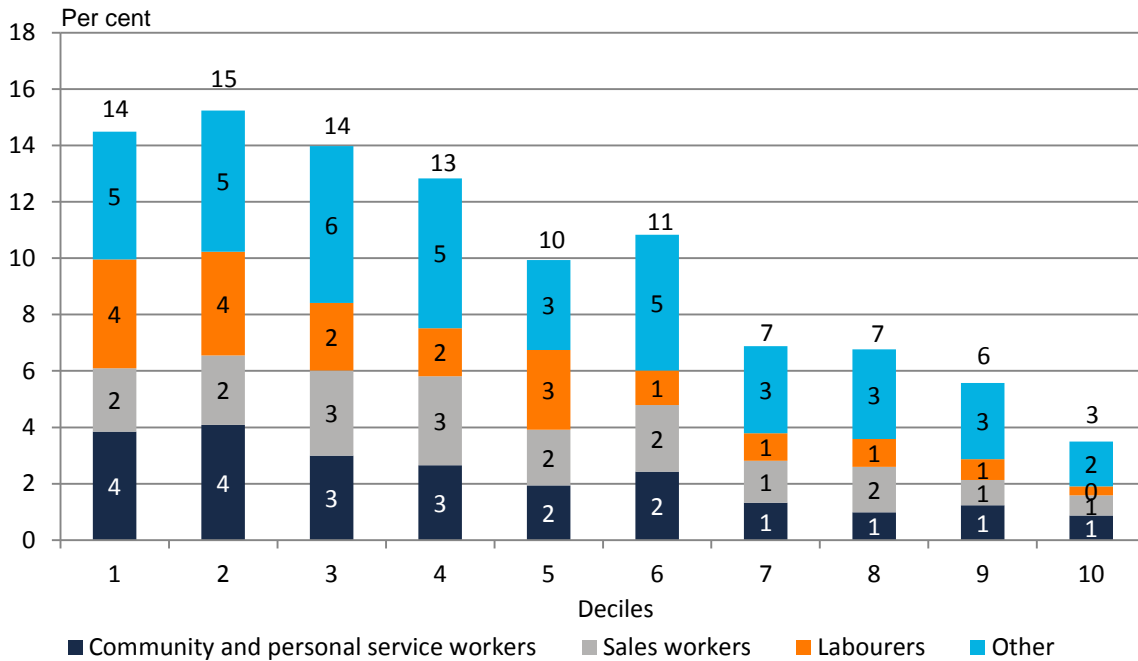
**Table 5: Award-reliant employees by occupation**

<b>Occupation</b>	<b>Per cent of all employees</b>	<b>Per cent of all award-reliant employees</b>	<b>Per cent of occupation award reliant</b>
Community and personal service workers	12.7	22.4	33.3
Labourers	9.3	18.7	42.5
Sales workers	8.9	19.9	42.2
Technicians and trades workers	12.4	10.2	18.6
Machinery operators and drivers	6.4	9.8	29.3
Clerical and administration workers	13.2	9.6	14.0
Professionals	23.8	5.7	4.8
Managers	13.4	3.7	7.0
<b>Total</b>	<b>100</b>	<b>100</b>	

Source: HILDA Survey, wave 15.

Figure 9 presents the distribution of award-reliant employees across household income deciles by occupation. Across the overall distribution, the figure shows that around 43 per cent of award-reliant employees worked in the most award-reliant occupations and were located in the bottom half of the household income distribution, compared with almost one quarter of award-reliant employees working in other occupations.

**Figure 9: Distribution of award-reliant employees by household income and occupation**



Note: The household income distribution is affected by some employees not responding to this question.

Source: HILDA Survey, wave 15.

Figure A5 shows that around half of award-reliant Community, personal and service workers (49 per cent) and Labourers (53 per cent) were distributed across the bottom three deciles, while higher proportions of Sales workers (16 per cent) and award-reliant employees in other occupations (19 per cent) were located across the top three deciles.

### 3.3 Household Characteristics

This section examines household characteristics of award-reliant employees across the household income distribution. The characteristics presented are earner status, student status and the presence of dependent children.

Before addressing the different household characteristics, Table 6 presents the breakdown of award-reliant employees by the relationship that each individual has within the household. Award-reliant employees were more likely to be in couple relationships (43 per cent) and the majority of award-reliant employees that were part of a couple (54 per cent) were secondary earners.

Other large groups among award-reliant employees were non-dependent children (17 per cent) and dependent students (17 per cent). Other types of primary earners—lone persons and lone parents—comprised 8 per cent and 7 per cent of award-reliant employees, respectively.

**Table 6: Award-reliant employees by relationship in household**

Relationship in household	Per cent of award reliant
Couple	43.3
Non-dependent child	17.2
Dependent student	16.9
Lone person	8.3
Lone parent	6.8
Other	7.5
	100.0

Source: HILDA Survey, wave 15.

Different types of household relationships based on the categories presented in Table 6 have been derived for the following sections.

### 3.3.1 Primary and secondary earner status

Figure 10 shows the distribution of award-reliant employees across the household income distribution by earner status—primary and secondary earners in a couple, lone persons and other households. The “other households” category refers to award-reliant employees who live in a couple household and are not part of the couple, lone parents and those in others types of households.<sup>11</sup> Whether award-reliant employees are the primary or secondary household income earner may determine where they are located in the household income distribution.

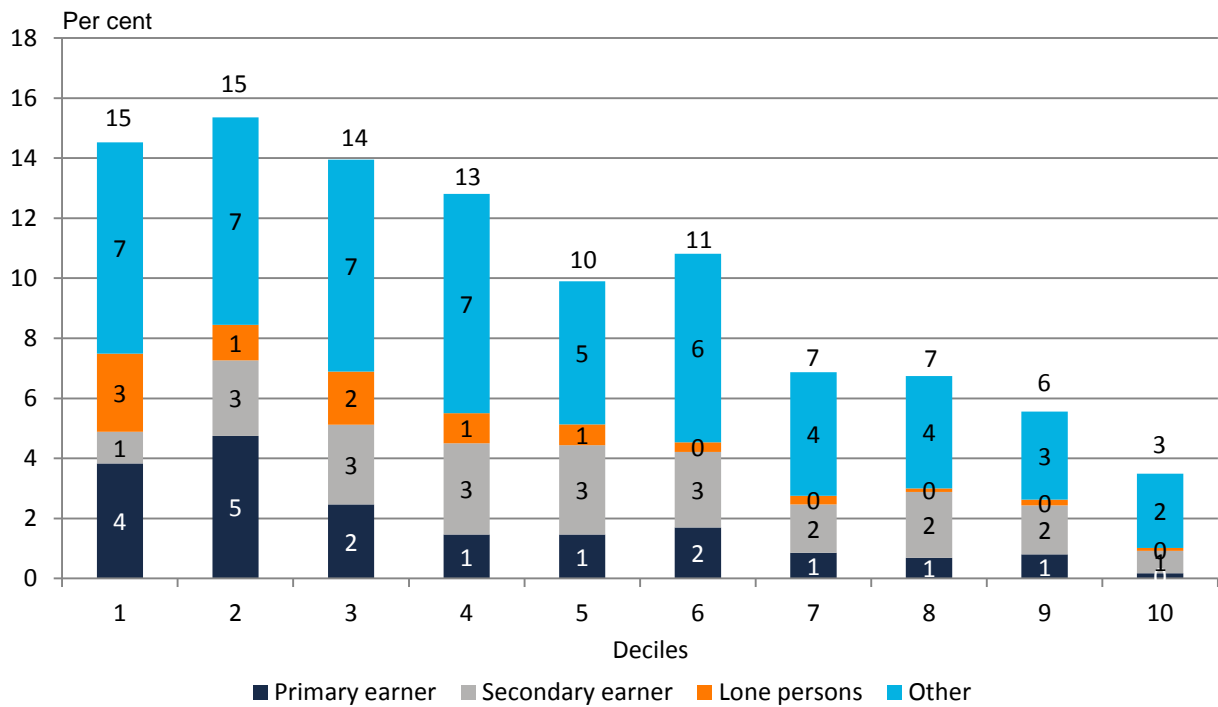
Primary and secondary earners are defined as the higher and lower earning individual members of a couple, respectively, where both reported positive individual income. Couples in multi-family households are excluded from this definition and are included in the ‘other households’ category. Further, lone persons are restricted to those who have positive individual incomes. Lone persons are presented separately to primary earners in a couple household even though by definition they are also primary earners.

Other households comprise the largest group, followed by secondary earners, primary earners and lone persons. The figure shows that around 14 per cent of all award-reliant employees were primary earners located in the bottom half of the household income distribution. Additionally, 12 per cent of all award-reliant employees were secondary earners and located in the bottom half of the distribution. Around 9 per cent of all award-reliant employees were secondary earners located in the top half of the household income distribution.

<sup>11</sup> Other types of households include lone parent households, group households, multi-family households and those not classified by HILDA.



**Figure 10: Distribution of award-reliant employees by household income and earner status**



Note: Other households refers to dependent student, non-dependent child, lone parent and other.

Source: HILDA Survey, wave 15.

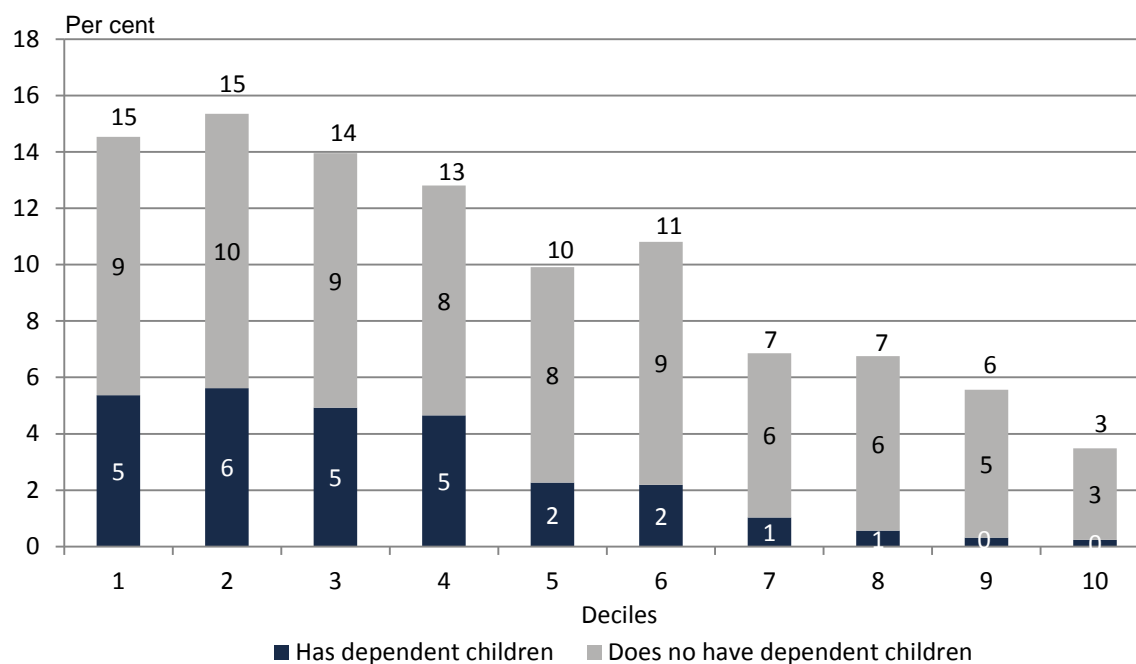
The majority of award-reliant primary earners (61 per cent) and lone persons (67 per cent) were located in the bottom three deciles of the household income distribution (Figure A6). While the majority of secondary earners were located in the bottom half of the household income distribution, they were relatively more likely to be located across the higher income deciles (42 per cent compared with 23 per cent of primary earners).

### 3.3.2 Dependent Children

This section examines award-reliant employees that have dependent children, defined as resident children aged under 15 years and those aged 15–24 years who are enrolled in full-time education. Consideration in annual wage reviews is given to analysis of family types, comparing incomes of those with and without dependent children.<sup>12</sup>

Award-reliant employees who have dependent children make up 27 per cent of all award-reliant employees. Around 23 per cent of this group were located in the bottom half of the household income distribution.

<sup>12</sup> See Fair Work Commission, *Statistical report—Annual Wage Review 2015–16*, Tables 8.2 and 8.3.

**Figure 11: Distribution of award-reliant employees by household income and dependent children**

Source: HILDA Survey, wave 15.

Award-reliant employees with dependent children were relatively more likely to be located in the bottom half of the household income distribution than award-reliant employees without dependent children.

### 3.3.3 Student Status

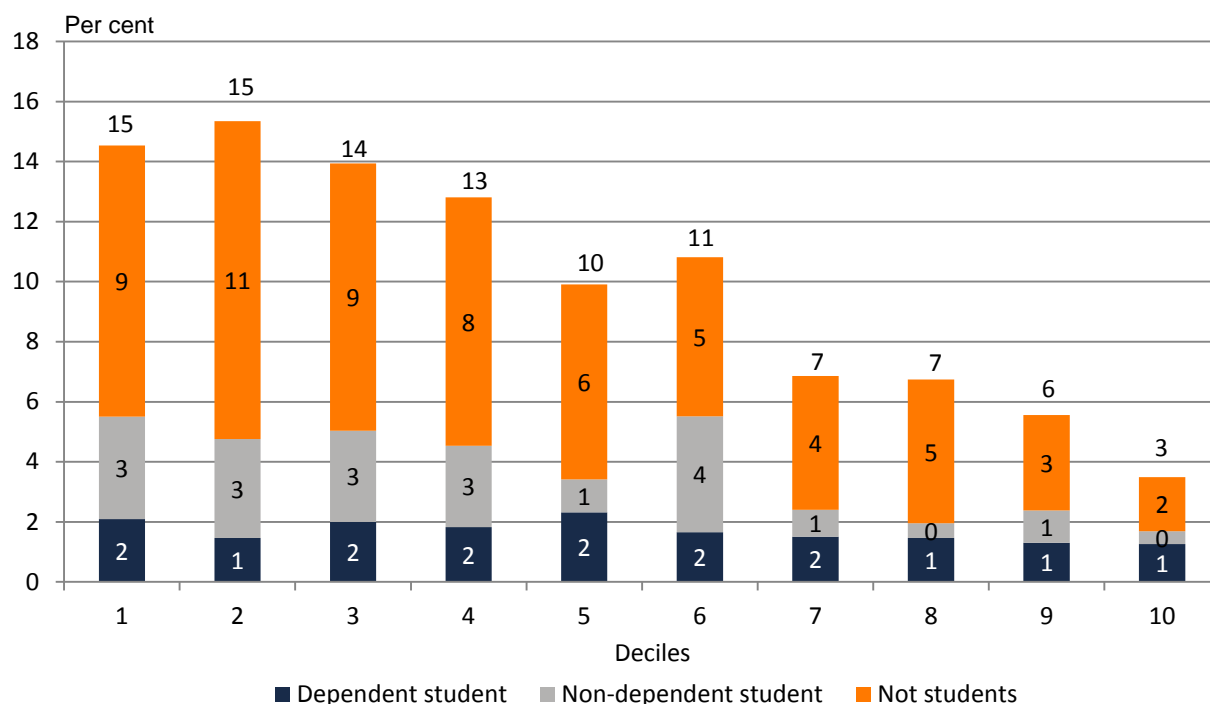
This section examines award-reliant employees by their student status. Students are defined as those who were undertaking secondary education, or who were enrolled in a trade certificate, diploma or degree. Employees who are also studying may intend to pursue a career in their area of study rather than their current job. Therefore, analysing whether award-reliant employees are studying may provide an indication of whether their current job short or long-term.

Students are split between dependent and non-dependent students. Dependent students are aged 15–24 years who are studying full time and not working full time and live in a household with their parent. They do not have a child of their own and are not part of a couple.

Students comprised 37 per cent of all award-reliant employees with non-dependent students comprising over half (55 per cent) of this group.

Figure 12 shows that around 14 per cent of award-reliant employees were non-dependent students located in the bottom half of the household income distribution. A further 10 per cent of award-reliant employees were dependent students also located in the bottom half of the household income distribution. Around 14 per cent of award-reliant employees were students (dependent or not) and located in the top half of the household income distribution.

**Figure 12: Distribution of award-reliant employees by household income and dependent student status**



Source: HILDA Survey, wave 15.

Figure A7 shows that more than half of award-reliant employees that were dependent students were located in the bottom half of the household income distribution, however, there were higher proportions of non-dependent students and non-students (both at around 70 per cent).

Award-reliant employees that were dependent students were relatively more likely to be located in the higher deciles than the other categories. Around one in four award-reliant employees that were dependent students were located in the top three deciles compared with around one in ten non-dependent students and around one in six non-students.

## 4 Conclusion

The purpose of this paper was to analyse the location and characteristics of award-reliant employees across the disposable income distribution of employee households.

The analysis examined individual, work and household characteristics that were selected to provide an understanding of the types of workers affected by annual wage review decisions. The analysis also considered the location in the distribution of household income of award-reliant employees separately for each characteristic to assist with understanding the relative living standards of these workers.

The analysis found that around two-thirds of award-reliant employees were located in the bottom half of the household income distribution and almost half were located in the bottom three deciles. This compares with fewer than one in six located in the highest three deciles.

Characteristics of individuals showed that almost one quarter of award-reliant employees were females located in the bottom three deciles and around one in five were males located in the

bottom three deciles. Around one quarter of all award-reliant employees were aged 15–24 years and 25–44 years, respectively, and were located across the bottom half of the household income distribution. However, a higher proportion of award-reliant employees aged 15–24 years were located in the top three deciles than other age groups.

In the analysis of work characteristics, it was found that part-time employees were relatively more likely to be located in the bottom three deciles and around half of award-reliant employees that worked fewer than 20 hours per week were located in the bottom three deciles. The majority of award-reliant employees that preferred working more hours were located across the bottom half of the distribution. Part-time employees were relatively more likely to be located in the bottom two deciles.

Around one quarter of award-reliant employees were employed in either Retail trade or Accommodation and food services and were also located in the bottom half of the household income distribution. The figure also shows that around half of award-reliant Community, personal and service workers and Labourers were located across the bottom three deciles, Almost half of award-reliant employees working in Accommodation and food services and Health care and social assistance were distributed across the bottom three deciles

Lastly, examining characteristics relating to the household showed that the majority of award-reliant primary earners and secondary earners were located in the bottom half of the household income distribution. However, primary earners, in couples or as lone persons, were relatively more likely to be located in lower income households than secondary earners. Award-reliant employees with dependent children were relatively more likely to be located in the bottom half of the household income distribution than award-reliant employees without dependent children

Most award-reliant employees that were studying were located in the lower half of the household income distribution. Further, over one quarter of award-reliant employees have dependent children and are located in the bottom half of the household income distribution

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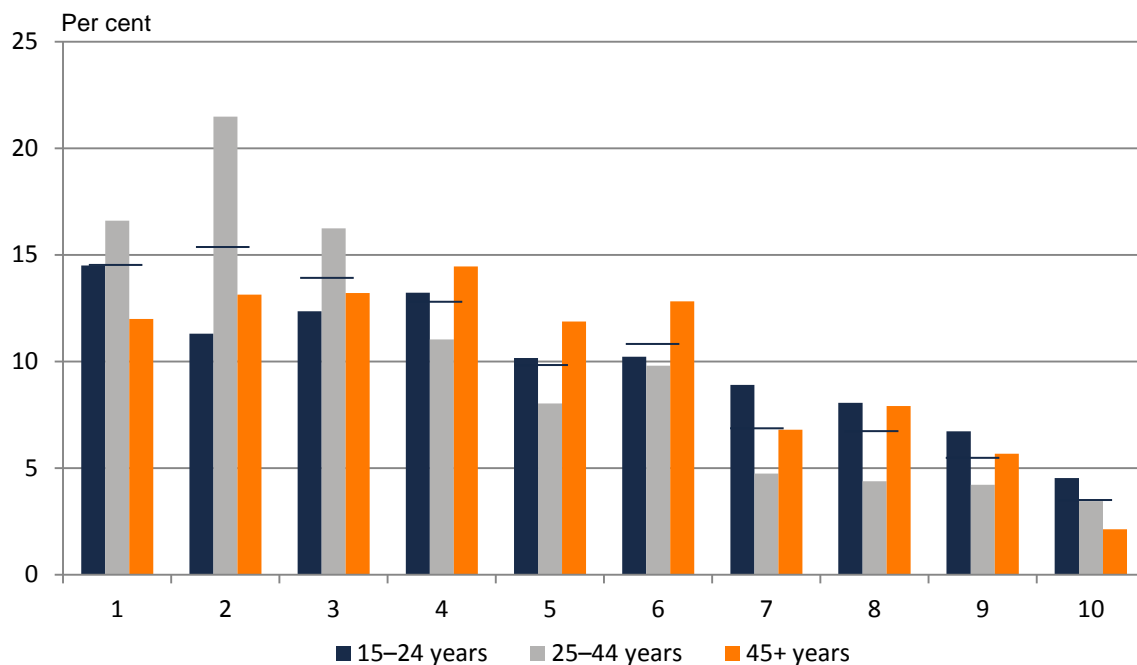
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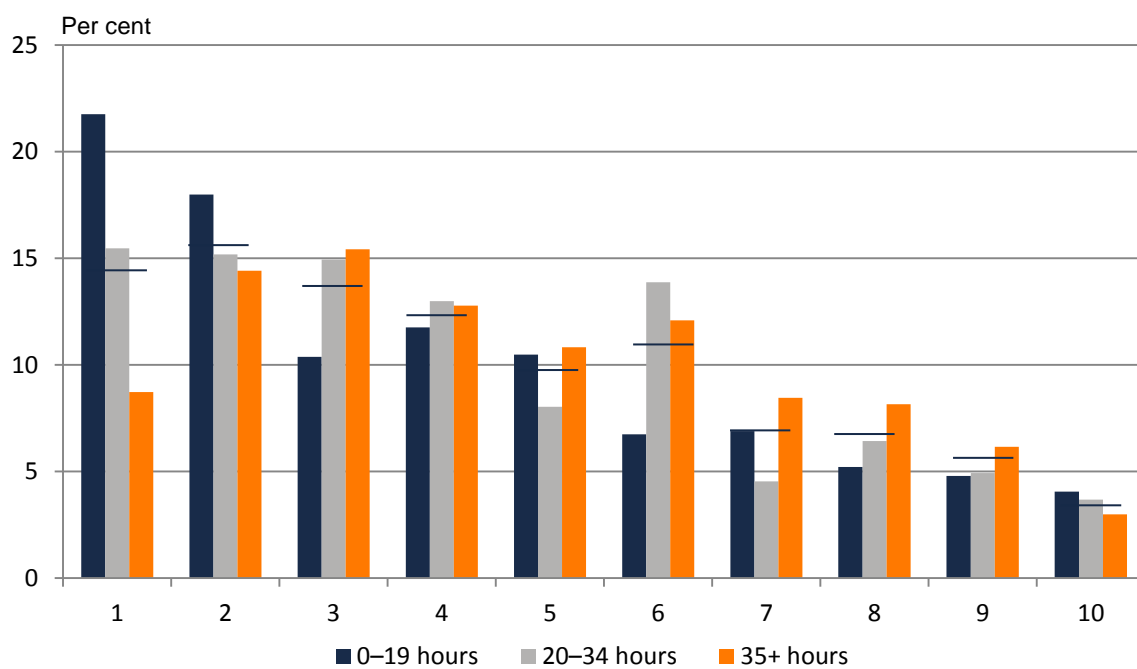
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## Appendix—additional figures

Horizontal bars represent the total.

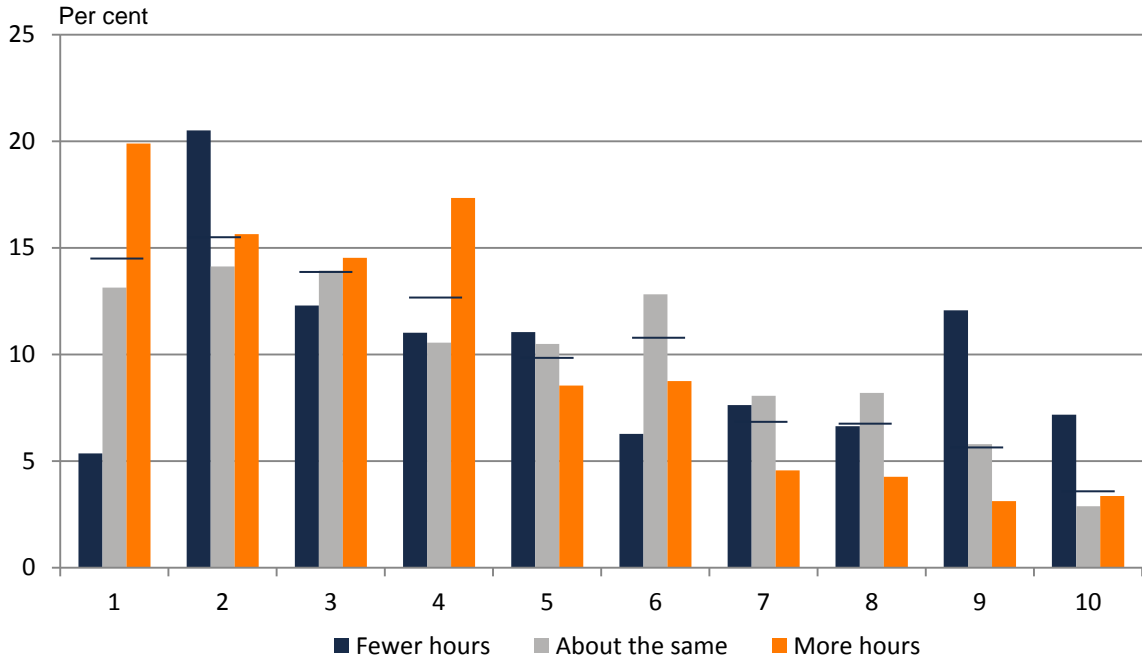
**Figure A1: Distribution of award-reliant employees by age and household income**

Source: HILDA Survey, wave 15.

**Figure A2: Distribution of award-reliant employees by hours of work and household income**

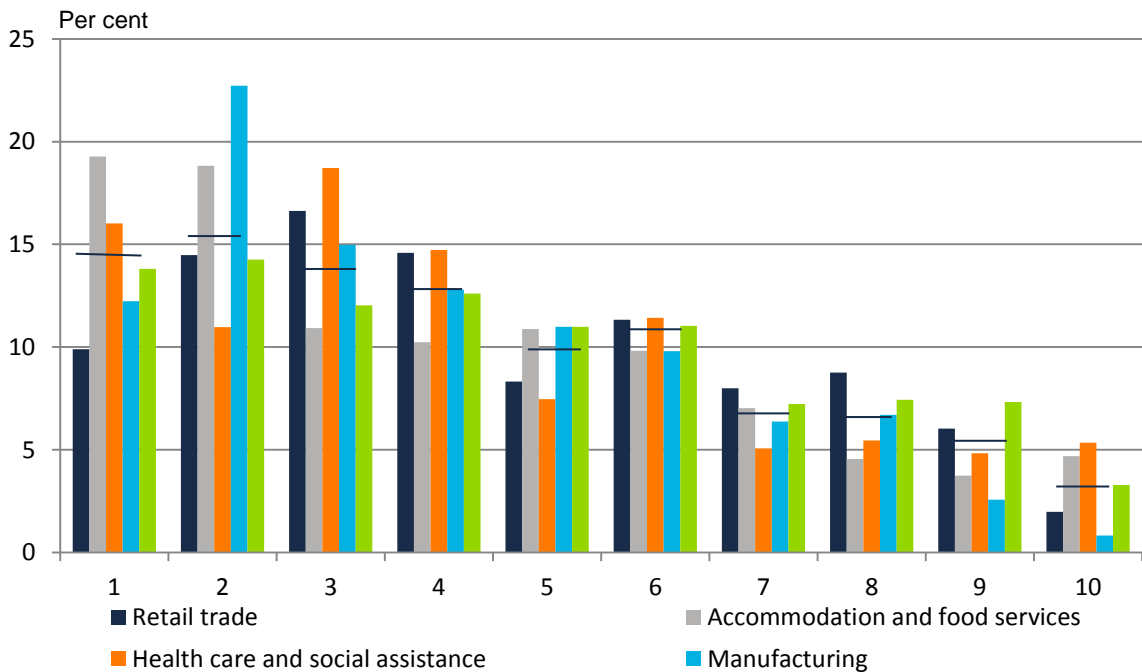
Source: HILDA Survey, wave 15.

**Figure A3: Distribution of award-reliant employees by preference for hours of work and household income**



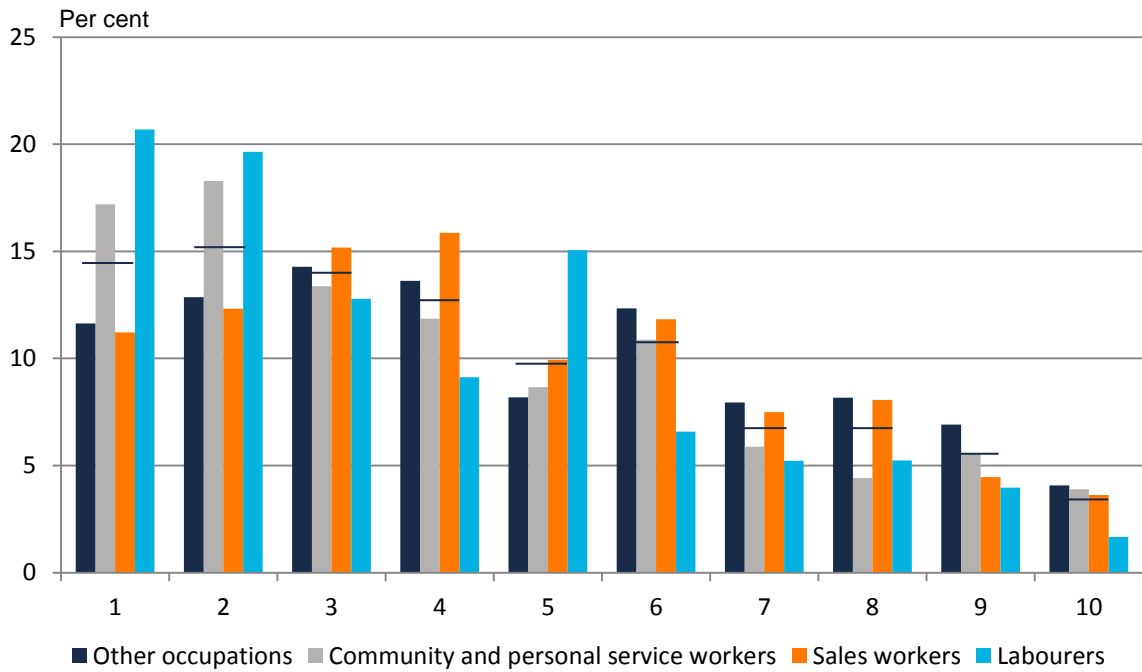
Source: HILDA Survey, wave 15.

**Figure A4: Distribution of award-reliant employees by industry and household income**



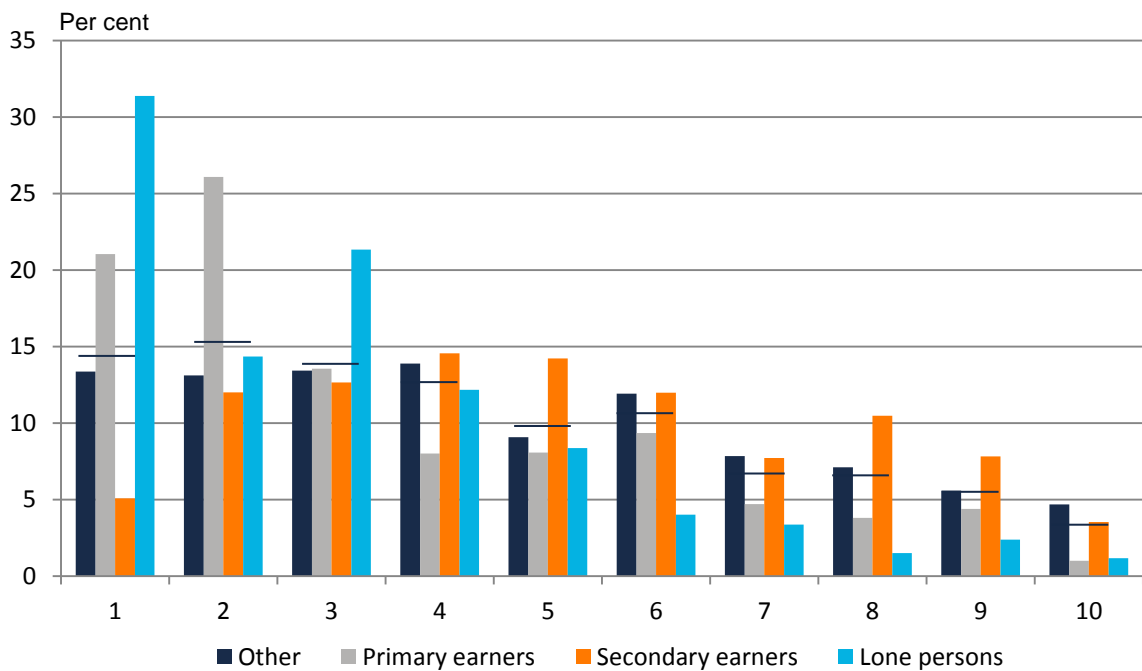
Source: HILDA Survey, wave 15.

**Figure A5: Distribution of award-reliant employees by occupation and household income**



Source: HILDA Survey, wave 15.

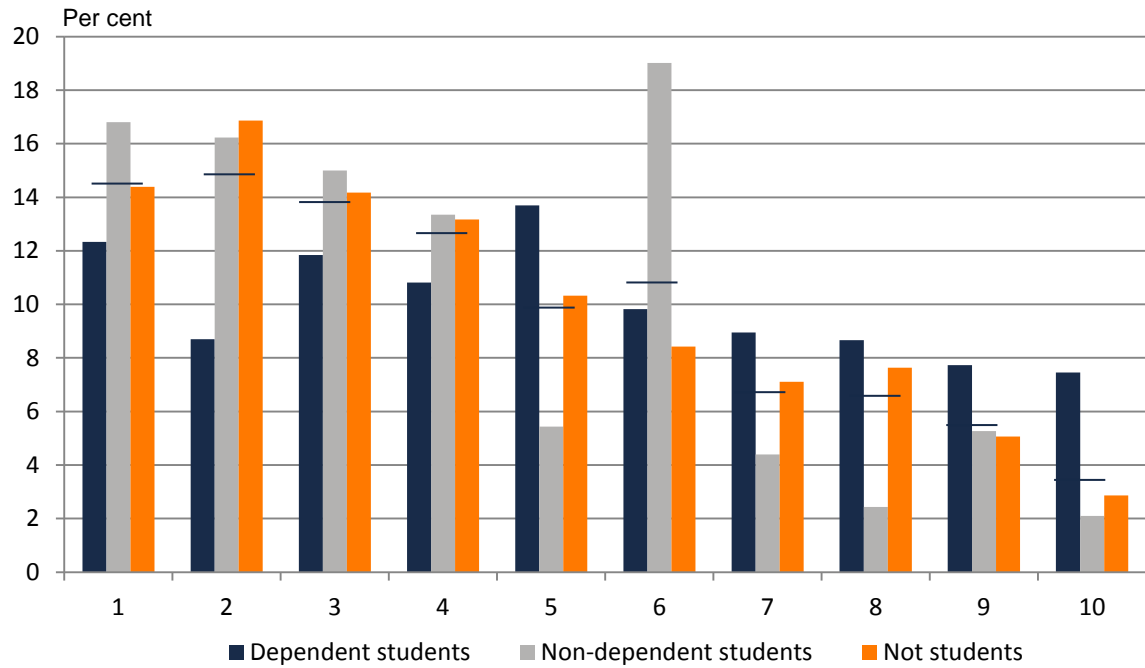
**Figure A6: Distribution of award-reliant employees by earner status and household income**



Source: HILDA Survey, wave 15.



**Figure A7: Distribution of award-reliant employees by dependent student status and household income**



Source: HILDA Survey, wave 15.