

## Information note—

### Bargaining by business size

This information note provides data on employee bargaining by business size using the Australian Bureau of Statistics (ABS) Employee Earnings and Hours (EEH) publication.

#### Definitions

The ABS's EEH publication collects information on a range of data including the number of employees by method of setting pay and in what business sizes they are employed in Australia.

The methods of setting pay collected are:

- award only;
- collective agreement;
- individual arrangement; and
- owner manager of incorporated enterprise.

The ABS definition of a 'collective agreement' encompasses collective agreements registered at the state or federal level as well as unregistered written or verbal collective agreements.<sup>1</sup> Employees are classified to the collective agreement category if they had the main part of their pay set by a registered or unregistered collective agreement or enterprise award.<sup>2</sup>

The ABS definition of individual arrangements includes individual contracts, letters of offer and common law contracts (which also includes over award payments).<sup>3</sup>

The ABS definition of an award only arrangement is a legally enforceable determination made by federal or state industrial tribunals that set the terms of employment (pay and/or conditions). An award may be the sole mechanism used to set the pay and/or conditions for an employee or group of employees, or may be used in conjunction with an individual or collective agreement. However, for employees to be classified as being covered an award, they must be paid at exactly the rate of pay specified in the award.<sup>4</sup>

An owner manager of incorporated enterprise is defined as:

“A person who works in their own incorporated enterprise - that is, a business entity which is registered as a separate legal entity to its members or owners (also known as a limited liability company).”<sup>5</sup>

The analysis below excludes owner managers of incorporated enterprises. Accordingly, proportions calculated reflect the total of collective agreements, individual arrangements and 'award only' arrangements. Data are presented for non-managerial employees as these data for all employees were not available.

---

<sup>1</sup> ABS, Employee Earnings and Hours, Australia, May 2012, unpublished survey instrument.

<sup>2</sup> ABS, *Employee Earnings and Hours, Australia, May 2018*, Catalogue No. 6306.0, Glossary.

<sup>3</sup> ABS, *Employee Earnings and Hours, Australia, May 2018*, Catalogue No. 6306.0, Glossary.

<sup>4</sup> ABS, *Employee Earnings and Hours, Australia, May 2018*, Catalogue No. 6306.0, Glossary.

<sup>5</sup> ABS, *Employee Earnings and Hours, Australia, May 2018*, Catalogue No. 6306.0, Glossary.

The ABS's EEH publication collects business size data according to the following size splits:

- Under 20 employees;
- 20-49 employees;
- 50-99 employees;
- 100-999 employees; and
- 1000 and over employees.

The size splits collected reflect the ABS's definition of a small business which is defined by the ABS as a business that employs fewer than 20 persons. Accordingly, this is the definition adopted in this Information note. However, it is noted that the *Fair Work Act 2009* has a different definition of 'small business', with s.23 of the *Fair Work Act 2009* defining a small business (national system employer) as an employer who employs fewer than 15 employees.<sup>6</sup>

### **Analysis of bargaining**

To examine the extent of employee bargaining by business size, an analysis of the 'collective agreement' and 'individual arrangement' categories was undertaken using ABS EEH data.

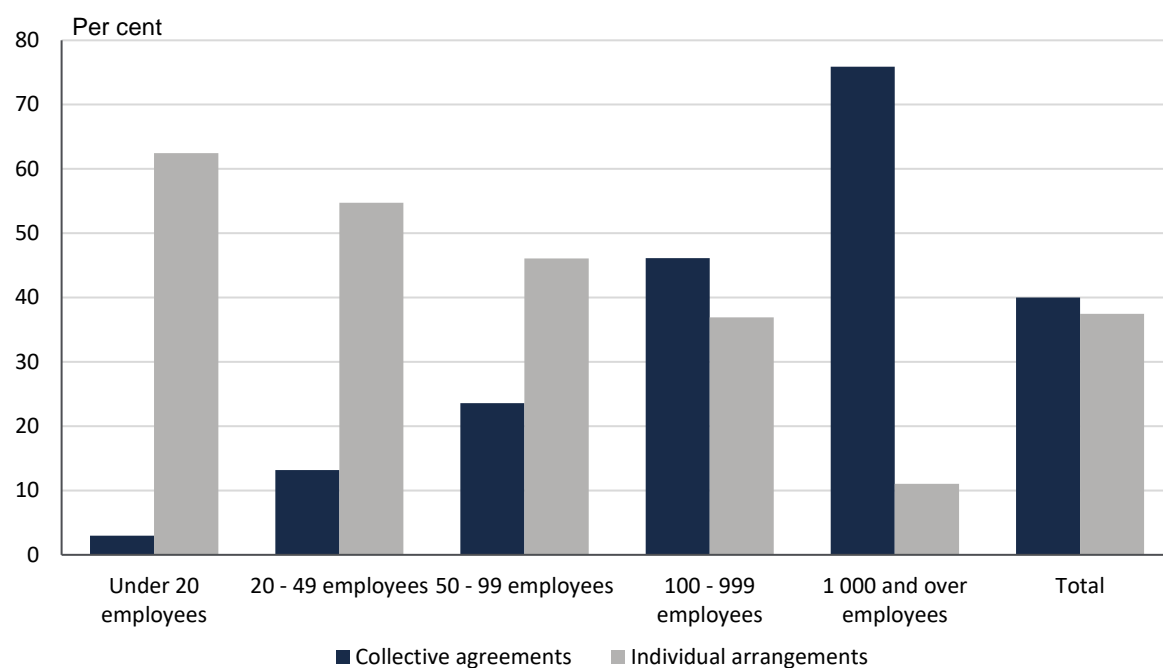
The data show that in May 2018, the majority of non-managerial employees in small businesses were employed on individual arrangements, with a small proportion on collective agreements (Chart 1). The number of non-managerial employees in small businesses on collective agreements and individual arrangements were 65 400 and 1 379 100, respectively.

There is a positive correlation between business size and collective agreements, with an increase in business size associated with an increase in the proportion of non-managerial employees on collective agreements. Conversely, there is a negative correlation between business size and individual arrangements, with an increase in business size associated with a decrease in the proportion of non-managerial employees on individual arrangements (Chart 1).

---

<sup>6</sup> *Fair Work Act 2009*, s.23.

**Chart 1: Proportion of non-managerial employees with their pay set by collective agreements and individual arrangements by business size, May 2018**



Note: Data on method of setting pay by business size exclude owner managers of incorporated businesses.

Source: ABS, *Employee Earnings and Hours, Australia, May 2018*, Catalogue No. 6306.0.