Research Report 7/2010

Enterprise Case Studies: Effects of minimum wage-setting at an enterprise level

Part 1
Justine Evesson, Sarah Oxenbridge, Hanna Schutz, Susanna Baldwin, Maja Moensted and John Buchanan
Workplace Research Centre

Part 2
Justine Evesson, Sarah Oxenbridge and Hanna Schutz
Workplace Research Centre

Part 3
Justine Evesson and Sarah Oxenbridge
Workplace Research Centre

February 2011
All research undertaken by or commissioned by Fair Work Australia for the Annual Wage Review 2010-11 has been agreed by the Research Group. The Research Group comprises a Chair from the Minimum Wages and Research Branch of Fair Work Australia, and representatives nominated by:

- 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.

This research was externally commissioned by Fair Work Australia and undertaken by the Workplace Research Centre (WRC), University of Sydney. The three papers provided by the WRC have been consolidated by the Minimum Wages & Research Branch of Fair Work Australia to form one report with three parts. Part 1 of the report was authored by Justine Evesson, Sarah Oxenbridge, Hanna Schutz, Susanna Baldwin, Maja Moensted and John Buchanan. Part 2 of the report was authored by Justine Evesson, Sarah Oxenbridge and Hanna Schutz and Part 3 of the report was authored by Justine Evesson and Sarah Oxenbridge.
Contents

List of tables

List of abbreviations

Executive summary...........................................................................................................................................i

PART 1............................................................................................................................................................i

The operating context for case study enterprises.................................................................................i
The impact of regulation .....................................................................................................................ii
Employment practices..........................................................................................................................iii
Use of industrial instruments.................................................................................................................iv
Employee experiences.........................................................................................................................iv

PART 2..........................................................................................................................................................vi

Changes at the enterprise level between research phases one and two ..............................................vi
Employee experiences between research phases one and two ............................................................vii
Changes at the enterprise level between research phases two and three ............................................viii
Employee experiences between research phases two and three .........................................................viii
Compliance with employment regulations from research phases one through three .......................viii

PART 3..........................................................................................................................................................ix

The operating context for case study employers .................................................................................ix
Adjustments made at enterprise level..................................................................................................ix
Employment practices..........................................................................................................................x
Employee experiences.........................................................................................................................xi
The relationship between adjustments and minimum wages increases .............................................xii
Employer views of the minimum wages increase................................................................................xiii
Differential impacts of the minimum wages decision ........................................................................xiii
Conclusions.......................................................................................................................................xiv

PART 1...............................................................................................................................................................1

Overview........................................................................................................................................................1

The operating context for case study enterprises..................................................................................1
The impact of regulation .....................................................................................................................2
Employer practices...............................................................................................................................3
Enterprise Case Studies: Effects of minimum wage-setting at an enterprise level

1. Introduction ................................................................................................................................................7
   1.1 Background and objectives ..................................................................................................................7
   1.2 The benchmark research (phase one) .................................................................................................7
   1.3 Research design...................................................................................................................................8
   1.4 The research process for phase one .....................................................................................................8
     1.4.1 Key stakeholder interviews .....................................................................................................8
     1.4.2 Recruitment of case study enterprises .....................................................................................8
     1.4.3 Profile of the case study sites ..................................................................................................9
     1.4.4 Employer datasheets ...........................................................................................11
     1.4.5 Case study interviews ...........................................................................................................11
     1.4.6 Analysis and reporting of the data ........................................................................................12
     1.4.7 A note about identifying minimum wage reliance and over-award employment ....................12
   1.5 The structure Part 1 ...........................................................................................................................13

2 Operating context: key pressures on case study enterprises and responses ..................................... 14
   Key findings ............................................................................................................................................14
   2.1 Community services ...........................................................................................................................16
     2.1.1 Funding pressures, minimum wage increases, and compliance costs .....................................16
     2.1.2 Employment pressures.......................................................................................................... 19
     2.1.3 Strategies developed in response to recruitment difficulties ..................................................20
     2.1.4 Employment pressures in prospect .......................................................................................20
   2.2 Manufacturing ................................................................................................................................... 22
     2.2.1 Economic and financial pressures .........................................................................................22
     2.2.2 Competition from foreign producers ....................................................................................24
     2.2.3 Costs of inputs and the impact of minimum wage increases ..................................................25
     2.2.4 Employment pressures..........................................................................................................27
     2.2.5 The impact of regulation and the transition to modern awards .............................................27
   2.3 Retail .................................................................................................................................................28
2.3.1 Competition for customers...................................................................................................29
2.3.2 Economic and financial pressures .........................................................................................30
2.3.3 Costs of inputs and prices ....................................................................................................31
2.3.4 The impact of minimum wage increases and the transition to the modern award .................32
2.3.5 Employment pressures..........................................................................................................34
2.3.6 Seasonality issues .................................................................................................................34

2.4 Hospitality .........................................................................................................................................35
2.4.1 Economic and financial pressures .........................................................................................35
2.4.2 Costs and labour cost management .....................................................................................38
2.4.3 The impact of minimum wage increases ...............................................................................39
2.4.4 Employment pressures..........................................................................................................40
2.4.5 The impact of the transition to the modern award................................................................ 41
2.4.6 The impact of regulation ......................................................................................................42
2.4.7 Competition for custom .......................................................................................................43

3 Employment practices ..............................................................................................................................44

Key findings .................................................................................................................................................44
3.1 Employer capacity ..............................................................................................................................46
3.2 Employer philosophy ..........................................................................................................................47
3.3 The structure of the workforce: categories of employment .........................................................48
  3.3.1 Use of junior employees and school-based trainees ..............................................................49
  3.3.2 The configuration of employment categories in retail and hospitality ..................................50
  3.3.3 Categories of employment in community services and manufacturing enterprises ............52
3.4 Rostering practices and the management of work hours ...............................................................53
  3.4.1 The flipside of lean rostering: underemployment and unpaid hours ......................................54
3.5 Wage-setting and wage determination ..............................................................................................55
  3.5.1 Use of overaward payments .................................................................................................56
  3.5.2 The position of employees on award classification scales ......................................................60
3.6 Labour cost management .................................................................................................................. 61
3.7 Employee productivity .......................................................................................................................62
3.8 Strategies around the use of industrial instruments ............................................................................64
### 4 Employee experiences

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Key findings</td>
<td>65</td>
</tr>
<tr>
<td>4.1 Characteristics of employees</td>
<td>67</td>
</tr>
<tr>
<td>4.2 Different types of employees</td>
<td>69</td>
</tr>
<tr>
<td>4.3 The nexus between hours, wages and categories of employment</td>
<td>73</td>
</tr>
<tr>
<td>4.4 Reliance on earnings to support the household</td>
<td>73</td>
</tr>
<tr>
<td>4.5 Time and capacity to undertake work</td>
<td>74</td>
</tr>
<tr>
<td>4.6 Conditions in the economy and labour market</td>
<td>75</td>
</tr>
<tr>
<td>4.7 Structural supports in the enterprise</td>
<td>75</td>
</tr>
<tr>
<td>4.8 The adequacy of earnings to cover the cost of living</td>
<td>75</td>
</tr>
<tr>
<td>4.8.1 The rising cost of living</td>
<td>75</td>
</tr>
<tr>
<td>4.8.2 Location and the cost of living</td>
<td>76</td>
</tr>
<tr>
<td>4.8.3 Household structures, income and debt</td>
<td>76</td>
</tr>
<tr>
<td>4.8.4 Wage increases and cost of living</td>
<td>79</td>
</tr>
<tr>
<td>4.9 Structures and patterns of employment</td>
<td>80</td>
</tr>
<tr>
<td>4.9.1 Balancing hours and wages</td>
<td>80</td>
</tr>
<tr>
<td>4.9.2 Balancing hours and wages with life</td>
<td>83</td>
</tr>
<tr>
<td>4.9.3 Balancing hours and wages with security</td>
<td>86</td>
</tr>
<tr>
<td>4.10 Wage rates, work value and job content</td>
<td>88</td>
</tr>
<tr>
<td>4.11 Employee knowledge of wage-setting and wage increases</td>
<td>89</td>
</tr>
<tr>
<td>4.12 Progression and mobility</td>
<td>91</td>
</tr>
<tr>
<td>4.12.1 Internal advancement</td>
<td>91</td>
</tr>
<tr>
<td>4.12.2 External advancement</td>
<td>93</td>
</tr>
</tbody>
</table>

### 5 Conclusions

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Changes at the enterprise level between phases one and two of the research</td>
<td>95</td>
</tr>
<tr>
<td>Employee experiences between phase one and two of the research</td>
<td>96</td>
</tr>
<tr>
<td>Changes at the enterprise level between phases two and three of the research</td>
<td>96</td>
</tr>
<tr>
<td>Employee experiences between phases two and three of the research</td>
<td>97</td>
</tr>
</tbody>
</table>
Compliance with employment regulations ................................................................. 97
Conclusions ................................................................................................................... 98

6 Introduction .................................................................................................................. 99

6.1 Background and objectives ...................................................................................... 99

6.2 Research design ....................................................................................................... 99

6.2.1 The phase two and three research design .............................................................. 99

6.2.2 Industry stakeholder interviews .......................................................................... 99

6.2.3 Enterprise case study fieldwork ............................................................................ 100

6.2.4 Methodological issues .......................................................................................... 101

6.2.5 How to read Part 2 .............................................................................................. 105

7 Changes at the enterprise level between phases one and two of the research .......... 106

7.1 Context and operating environment ....................................................................... 106

7.2 Revenue .................................................................................................................. 107

7.3 Labour costs and the 2010 minimum wages increase .............................................. 107

7.3.1 Enterprises with stable overall labour costs ......................................................... 108

7.3.2 Enterprises with a reduction in overall labour costs .............................................. 109

7.3.3 Enterprises with an increase in overall labour costs ............................................. 110

8 Employee experiences between phases one and two of the research .................... 114

8.1 Minimum wages increases for minimum wage-reliant workers ................................ 114

8.2 Wage increases for over-award earners .................................................................. 116

8.3 Experiences of vulnerable employees and new information from participants in phase two research .117

9 Changes at the enterprise level between phases two and three of the research ........ 121

9.1 Context and operating environment ....................................................................... 121

9.2 Revenue .................................................................................................................. 122

9.2.1 Community services ............................................................................................ 123

9.2.2 Manufacturing, retail and hospitality .................................................................. 123

9.3 Non-labour costs ..................................................................................................... 125

9.4 Labour management: labour costs, hours and categories of employment ............ 125

9.4.1 Enterprises which did not implement the 2010 minimum wages decision in research phase two ......................................................... 126
9.4.2 Enterprises with stable overall labour costs since the 2010 minimum wages decision .............. 127
9.4.3 Enterprises with an increase in overall labour costs since the 2010 minimum wages decision .. 128
9.4.4 Enterprises with a reduction in overall labour costs since the 2010 minimum wages decision .. 130

10 Employee experiences: changes between phases two and three of the research............................. 131

10.1 Changes to wage rates and tax treatment ......................................................................................... 131
10.2 Delayed minimum wages increases .................................................................................................. 131
10.3 Changes in working hours and work intensification ........................................................................ 132
10.4 Changes to categories of employment ............................................................................................... 133
10.5 Changes to work organisation ......................................................................................................... 134
10.6 Non-compliance and employees’ willingness to pursue entitlements ................................................ 134
10.7 Changes to levels of debt, household income and living arrangements ........................................... 135
10.8 Continuing awareness of wage disparity ......................................................................................... 136
10.9 Income adequacy and increasing costs of living ............................................................................. 136

11 Compliance with employment regulations .......................................................................................... 138

11.1 Evidence of adherence to employment standards ............................................................................... 138
11.2 Information sources and employer attitudes to adhering to employment standards ....................... 141

12 Conclusions ....................................................................................................................................... 143

PART 3 ....................................................................................................................................................... 144

Overview .................................................................................................................................................. 144

The operating context for case study employers across the three research phases ......................... 144
Adjustments made at enterprise level across the three research phases ........................................... 145
Employment practices across the three research phases .................................................................. 146
Employee experiences across the three research phases ..................................................................... 147
The relationship between adjustments and minimum wages increases across the three research phases .................................................................................................................................. 149
Employer views of the minimum wages increase across the three research phases....................... 150
Differential impacts of the minimum wages decision ......................................................................... 150
Conclusions ............................................................................................................................................ 150

13 Introduction ....................................................................................................................................... 152

13.1 Background and objectives ............................................................................................................. 152
14 Enterprise operating contexts and adjustments made to operations.............................................. 153

14.1 Community services......................................................................................................................... 153
   14.1.1 Operating context, pressures and funding environment ....................................................... 153
   14.1.2 Responses to pressures and adjustments made at the enterprise level............................. 155

14.2 Manufacturing ................................................................................................................................. 155
   14.2.1 Operating context, pressures, and trading environment .................................................... 155
   14.2.2 Responses to pressures and adjustments made at the enterprise level............................. 156

14.3 Retail .............................................................................................................................................. 157
   14.3.1 Operating context, pressures, and trading environment .................................................... 157
   14.3.2 Responses to pressures and adjustments made at the enterprise level............................. 158

14.4 Hospitality ..................................................................................................................................... 159
   14.4.1 Operating context, pressures, and trading environment .................................................... 160
   14.4.2 Responses to pressures and adjustments made at the enterprise level............................. 161

15 Employment practices ...................................................................................................................... 163

15.1 Employer capacity, attitudes and compliance ............................................................................... 163
   15.1.1 Employer capacity ............................................................................................................. 163
   15.1.2 Employer attitudes and philosophy .................................................................................... 168
   15.1.3 Compliance with employment regulations .......................................................................... 170

15.2 Employment practices over the three research phases ............................................................. 171
   15.2.1 The structure of the workforce: categories of employment ................................................ 171
   15.2.2 Rostering practices and the management of work hours ................................................... 172
   15.2.3 Wage-setting practices: the use of over-award payments ................................................... 173
   15.2.4 Wage-setting practices: the position of employees on award classifications ....................... 175
   15.2.5 Labour cost management................................................................................................... 175
   15.2.6 Employee productivity ....................................................................................................... 177
   15.2.7 Strategies around the use of industrial instruments ............................................................ 178

16 Employee experiences ..................................................................................................................... 180

16.1 Underlying issues of importance remained constant ................................................................. 180
16.2 Different types of employees ......................................................................................................... 180
16.3 Key changes experienced over the course of the study by employees ...................................... 181
16.3.1 Earnings ........................................................................................................................................181
16.3.2 Structures and patterns of employment ......................................................................................182
16.3.3 Promotion and progression ........................................................................................................183
16.3.4 Wage rates, work value and job satisfaction ..............................................................................183
16.3.5 Wage-setting and employee agency ..........................................................................................184

17 The impact of the 2010 minimum wages increase ............................................................................ 185
17.1 The relationship between adjustments and minimum wages increases ....................................... 185
    17.1.1 Enterprises where no adjustments were made in response to the minimum wages increase... 186
    17.1.2 Enterprises where adjustments were made, partially in response to the minimum wages increase .......................................................... 187
    17.1.3 Enterprises where adjustments had been made as a direct result of the minimum wages increase .......................................................... 189
17.2 Employer views on the impact of the minimum wages increase ..................................................... 191
17.3 Differential impacts of the minimum wages decision ...................................................................... 193

18 Conclusions ........................................................................................................................................194
    18.1 The impact of the minimum wages increase at enterprise level .................................................. 194
    18.2 The impact of the minimum wages increase on employees ....................................................... 195

Appendix 1 Research design ................................................................................................................197
List of tables

Part 1:
Table 1.1: Characteristics of case study enterprises/workplaces of interest ..................................................... 10
Table 4.1: Key employment characteristics of employees by sector, award wage reliance .............................. 67
Table 4.2: Range of hourly rates of pay and related job roles by sector and award wage reliance .................. 68

Part 3:
Table 15.1: Case study enterprises categorised by degree of employer capacity ............................................ 164
List of abbreviations

ABS  Australian Bureau of Statistics
ASU  Australian Services Union
AWA  Australian Workplace Agreement
CEO  Chief Executive Officer
CPI  Consumer Price Index
DOCS Department of Community Services
FTE  Full-time Equivalent
GFC  Global Financial Crisis
GST  Goods and Services Tax
HECS Higher Education Contribution Scheme
HR  Human Resources
IT  Information Technology
ITEA Individual Transitional Employment Agreement
MYOB Mind Your Own Business (software package)
NAPSA Notional agreement preserving state awards
NSW New South Wales
PAYG Pay As You Go (tax)
SACS Social and Community Services sector
SACS modern award Social, Community, Home Care and Disability Services Industry Award 2010
SME Small and Medium Enterprises
TAFE Technical and Further Education
TAB Totalisator Agency Board (betting agency)
WRC Workplace Research Centre
Executive summary

The Workplace Research Centre (WRC) has been commissioned by Fair Work Australia to conduct a program of case study research that examines the impact of minimum wages increases on enterprises and their employees. The Minimum Wage Panel of 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, employees to whom training arrangements apply and employees with disability, modern award minimum wages, and minimum wages in some transitional minimum wage instruments not otherwise terminated by Fair Work Australia.

The study was conducted over a nine-month period spanning March to November 2010 and was based on case studies of 20 enterprises across four industries (Community services, Manufacturing, Retail and Hospitality). The case study enterprises were selected for inclusion in the study on the basis that significant proportions of their employees were award-reliant. Insights were drawn from interviews with employers and employees at the participating enterprises as well as stakeholders representing the industries of interest. Over the course of the study more than 300 interviews were conducted. Interviews took place with 102 enterprise-based participants (28 enterprise owners/senior managers and 74 employees) during phase one of the study. In phase two this number fell to 86 interviewees (28 owners/senior managers and 58 employees) and in phase three a total of 79 interviews took place with 25 owners/senior managers and 54 employees.

The initial phase of research fieldwork took place during March 2010; a second phase of research was conducted throughout July 2010; and the final round of research interviews occurred during November 2010. Part 1 of this report sets out the findings of the first phase of the research; Part 2 sets out changes occurring at the case study enterprises between phases one and two and phases two and three of the research period; and Part 3 of the report provides a synthesis of research findings over the three research phases of research.

This report was provided as three papers produced consecutively after each phase of fieldwork was undertaken. The three component papers are presented as Parts 1, 2 and 3 of this report. Part 1 of this report was originally published as an interim paper ‘Enterprise Case Studies Phase One Report’ and was released on the Fair Work Australia website in June 2010.

PART 1

The operating context for case study enterprises

Part 1 of the report provides a benchmark prior to the implementation of the Annual Wage Review 2009-10 Decision. For employers in all case study enterprises across sectors other than community services, the economic downturn was still being felt in early 2010, with sales and revenue at continuing low levels. This was felt to be due to a prolonged decline in consumer discretionary income. At the same time, employers faced increases in the costs of producing and providing products and services. Ongoing pressures on enterprises stemming from increasing competition for customers were intensified by the downturn. Reduced discretionary income led consumers to choose cheaper suppliers, retailers, or entertainment options.

---

1 Award-reliant employees did not include employees covered by over award arrangements including informal arrangements, or formal arrangements such as enterprise agreements or Individual Transitional Employment Agreements. Transitional minimum wage instruments include transitional Australian Pay and Classification Scales, notional agreements preserving state awards (NAPSA)s and pre-reform awards, which were instruments created by the Workplace Relations (Work Choices) Amendment Act 2005 at 26 March 2006. These instruments were derived from state and federal instruments that existed at 25 March 2006 and which on 26 March 2006 moved into the expanded federal system created by the amendment Act.

Across the case study enterprises, the principal employer response to reduced sales stemming from the Global Financial Crisis (GFC) and competition for customers was that of reducing labour costs. In manufacturing, enterprises reduced work hours and staff numbers. Retail and hospitality employers managed rosters carefully to avoid paying penalty rates. They achieved flexibility in hours by employing a core of permanent workers, supplemented by casual staff, and cut casual staff in response to the decline in trade. While these strategies had traditionally been pursued by many of these employers irrespective of the economic downturn, the downturn had compelled employers to reduce to ‘skeleton staffing’ levels, and had led to owners working longer hours in the business to cut labour costs.

The pressures experienced by not-for-profit community services enterprises in the study differed somewhat from those experienced by businesses in the other sectors. Many community services employers reported that the cost of providing services is often higher than the funding for services received from government sources. This resulted in work intensification and in some cases unpaid staff hours.

Despite these pressures, certain employers across all four sectors voiced a reluctance to cut staff in response to a reduction in trade or insufficient funding (as in community services). This was due to the perceived difficulty of recruiting high quality staff once the economy recovered.

Business strategies developed by case study employers in response to reduced revenue centred on increasing sales through winning new accounts (in manufacturing), and by increasing promotions to attract new customers or diversifying the business (in hospitality and retail). Employers responded to the threat of larger competitors in differentiating their offering by providing superior customer service. Thus a key element of employment strategy for these and many other employers was the recruitment of staff with good customer service skills.

Employers across the study faced difficulties attracting ‘quality’ or skilled staff. In some cases this was due to competition for staff with higher paying employers. In response, employers pursued strategies including recruiting staff with ‘the right attitude’ and training them for the job, recruiting apprentices as a substitute for qualified trades staff, and/or improving non-pay job conditions and benefits in order to attract new staff or to retain existing staff.

**The impact of regulation**

For community services and hospitality case study employers, compliance with government regulations and new legislation was seen as a substantial cost burden which affected their capacity to provide services or to maintain profit margins.

The principal response of employers in the study to declining revenue or funding was to seek to reduce labour costs. Despite this focus on labour cost minimisation, minimum wages increases were viewed by the majority of case study employers as neither having a pronounced impact on nor constituting a significant pressure on the enterprise’s performance. Minimum wages increases were primarily regarded as one pressure on the enterprise among many. In only rare cases did employers plan for minimum wages increases as part of budgeting or business planning processes.

Community services employers saw a minimum wages increase as a pressure if it was not matched by increased funding for services. Some retail and hospitality employers anticipated that increased costs stemming from the combination of a prospective minimum wages increase and the transition to a modern award would have a marked impact on labour costs and saw weekend penalty rates as representing a more substantial cost burden.
than a minimum wages increase. However, on the whole only a minority of employers were concerned about the impact of the transition to modern awards on labour costs and many smaller employers had little knowledge of the transition to the new awards.

Past and anticipated responses to a minimum wages increase, as with other cost pressures faced by employers, focused principally on offsetting increases by reducing labour costs. Case study employers in all sectors other than manufacturing cut, or planned to cut, employee hours of work or sought to reallocate work hours between employees in different categories of employment. Manufacturing and some hospitality employers in the study passed the increase in wage costs on to customers through price increases. In community services, case study employers cut services to pay for wage increases where government funding was not increased to compensate for higher wage costs.

**Employment practices**

An array of factors influenced the labour management practices used by employers in the study. They included employer capacity (employers’ knowledge of employment frameworks and systems) and employer philosophy (employer priorities and orientations toward employment practices). These elements shaped a range of behaviours and practices, including the approach employers took in configuring their workforce around categories of employees such as casual, permanent, full time, part time, junior, apprentice, and trainee workers. Retail and hospitality employers in the study used a diverse range of configurations, based around a core of full time workers supplemented by permanent part time or casual employees.

A central concern for employers in the study was to reduce labour costs to the lowest level possible, albeit not to a level that would impact negatively on the quality of goods or services produced or the level of care provided. Employers minimised labour costs by managing flows and categories of staff throughout the hours of the day or days of the week, to minimise hourly and weekly wage costs.

Rostering practices were linked to case study enterprises’ hours of operation, and employers rostered staff to minimise the amount of labour costs paid in penalty rates or any form of payment on top of base rates.

Lean rostering was predominant in hospitality and retail case study enterprises where employers used practices such as reducing the total number of hours worked by staff, using casuals to facilitate cutting short the shifts of employees during quiet times, and managing the mix of categories of staff so as to avoid overtime payments. However, employee preferences for longer working hours often led to high turnover among those employees subject to lean rostering practices.

The use of such strategies led to labour costs remaining steady or decreasing in most hospitality, retail and manufacturing case study enterprises over the 18-month period prior to March 2010. Labour costs had, however, increased in those community services enterprises where recruitment difficulties led to use of agency staff or required that higher salaries were paid to attract new staff.

Labour costs were the focus of much employer scrutiny, as labour cost minimisation drove many employment practices. In contrast, labour productivity was not formally measured by employers in the study. The measurement of productivity most commonly involved owner-managers of small to medium sized businesses informally checking on how efficiently staff worked while on the job. Community services employers said productivity was maintained through workload intensification among direct care staff. In manufacturing enterprises, productivity levels were largely determined by the substitution of labour with capital, the extent
to which existing capital was used efficiently, and production flows. Multi-skilling of staff through cross-training was used as a strategy by hospitality and manufacturing employers to enhance productivity through enabling the deployment of staff across departments.

**Use of industrial instruments**

Employers paid overaward rates to employees in 12 of the 20 case study enterprises. Overaward payments were paid in recognition of two main employment imperatives: recruiting skilled staff in short supply whose market value exceeded that of the relevant award, or retaining and rewarding staff in low-paid positions who brought value to the enterprise. Overaward arrangements were used by some case study employers to provide them with greater flexibility to roster staff across unsociable hours. Four main types of overaward payments were evident:

- a universal hourly rate that rolled in penalty rates but still provided for overtime loadings to be paid (bar and gaming attendants in hospitality);³
- small, discretionary overaward payments paid on top of base rates to workers in recognition of low wages, to encourage retention and recognise performance (primarily in manufacturing, but evident in a small number of enterprises across other sectors);
- salaries paid to employees in areas of skills shortage (chefs, butchers, and hospitality supervisors and managers); and
- structured overawards paid to allied health professionals, some supervisory staff and managers in community services organisations.

Most case study employers appointed employees on award classification scales with reference to the criteria set out in awards, but there was evidence that some appointed staff on the basis of a rate on the scale that they thought was fair (generally the base rate), rather than at a level that reflected employees’ experience or qualifications.

While the award was the central instrument guiding wage-setting practice in the case study enterprises, some employers had contemplated the use of alternative instruments. Employers had considered employing staff on certified agreements in community services enterprises (in which some planned to negotiate agreements), and in retail (in which one employer had unsuccessfully attempted to develop an agreement). Trade unions had pursued certified agreements in hospitality and manufacturing sites but these had not come to fruition.

**Employee experiences**

While the experiences of the 74 employees in the study were incredibly diverse, five broad types of employee were discernible. These groups were primarily distinguished by employees’ stage in the lifecycle and their relative vocational attachment. They included:

- full-time student employees;
- young non-vocational employees;

---

³ This was a loaded hourly rate paid for all hours worked. Late work penalties were rolled into the hourly rate at an amount based on late work penalty provisions in the modern award. Employees all received the same loaded hourly rate, whether working days, evenings or nights. The employer stated that the rate, taking into consideration the rolled in penalty rates, was above what the award provided for.
• young vocational employees;
• prime and mature age non-vocational employees; and
• prime and mature age vocational employees.

Other important contextualising factors were identified as having a fundamental role in influencing the participant employees’ experiences:

• employees’ hours of work, their wages and the categories of employment into which they fell were profoundly interlinked in terms of employee experiences and aspirations. How these factors played out for the individual employee directly shaped their earnings as well as their capacity to have what they considered to be a fulfilling life outside work;

• the relative importance of an individual’s earnings within their household drove their work–life priorities and shaped the risks they were willing to take to change their employment circumstances;

• people with caring responsibilities outside work had their earnings affected in two ways. Firstly, those who needed part-time work had their job opportunities narrowed and they gravitated to lower, paying jobs. Secondly they were earning less, because they were working fewer hours;

• cost-of-living factors and job opportunities shifted depending upon the state of the local economies within which employees worked. This shaped employees’ job and earning options; and

• some employees enjoyed greater flexibility and opportunities to progress in their jobs/careers due to the employment supports and structures available at the enterprise.

Overall, minimum wage-reliant employees in the study described a regime of surviving from pay to pay, very little capacity for saving and ongoing increases in the cost of living. This was particularly acute among non-student employees who were earning low weekly wages. Many participants observed that wages were not keeping pace with increases in costs. Employees described grocery and petrol prices rising and large proportions of their wages being spent on accommodation and housing. Location appeared to have a significant impact on the cost of living, with some workers appearing to pay a premium to live and work in certain areas. The capacity to cover costs was influenced by household structure coupled with other factors including the level of other household income, the degree to which household income had to support other family members, and the priorities and pressures employees had in terms of spending and debt.

Underemployment among the employees in this study was most common for casual and part-time employees. Some struggled regularly to get enough work hours to earn a living wage, while others experienced fluctuations in their weekly hours, leading to wide variations in week-to-week earnings. A number of employees were either seeking to work beyond their full-time hours or were already working multiple jobs (in excess of a standard week) to meet their financial goals or obligations. This was a feature commonly associated with employees on relatively low hourly rates of pay.

Many participants were struggling to obtain a balance between work and life. This tended to be most pronounced for individuals with unpredictable work hours, excessive hours, intensive hours or work hours that were unsociable. Contingent workers regarded secure employment as a prime concern. Secure employment provided stable and guaranteed hours that enabled consistent and secure wages.
Neither minimum wage-reliant nor overaward wage earners in the study had in-depth knowledge of wage-setting practices. Minimum wage-reliant workers felt they had no influence over their pay rate (either the appropriateness of the grade they were employed against or the potential for any overaward payment) as it was seen as being at the discretion of the employer and it was generally expected that an award rate would apply. Some employees in skill shortage occupations were the only overaward recipients who felt they had an active say in negotiating their pay. The employees who recalled receiving previous centralised wage increases reported experiencing little impact in light of their overall circumstances. Manufacturing workers were more likely than others to complain that their rates were too low to be fair, while community service employees frequently complained that their wages failed to reflect the value of their work.

Vocational employee study participants, particularly those in community services, frequently expressed satisfaction and enjoyment in their work. Non-vocational employees were far more likely to assess their jobs in terms of wages, hours and conditions rather than job content. They commonly expressed greatly valuing the social aspects of their work. Very few non-vocational employees felt that they had strong options within the labour market to move or improve their employment. Prime age and mature non-vocational employees in retail and hospitality were inclined to regard improving the jobs they already occupied—by getting better rosters, overtime or more secure employment—as the most realistic way of achieving progression. Mobility was generally seen as counterproductive to job improvement among this group.

PART 2

Part Two provides an analysis of the changes evident between March and July 2010 and any immediate effects of the Annual Wage Review 2009–10 3 June 2010 Decision as well as changes made between July 2010 and November 2010 after the minimum wages increase had been in place for four months.

Changes at the enterprise level between research phases one and two

The pressures faced by owners and managers of enterprises in the first phase of the research remained the same in phase two. This experience was supported by industry stakeholders, who reported that industry contexts had changed very little in the intervening period. Only minor changes to the operating context were evident at the enterprise (site) level. Improvements to operating conditions appeared to have been as a result of local circumstances rather than as discernible sector-wide patterns of improvement. On the whole, however, stakeholders and participants at enterprises described a continuation of the sub-sectoral and local factors that contextualised operations in March of 2010, reporting neither significant improvement nor further worsening of conditions for businesses.

In a small number of enterprises employers expressed confusion about the transition to the modern award. These employers found it difficult to distinguish between minimum wage-related increases and those stemming from the transition to the modern award. This was particularly acute at sites where penalty rates were paid. However in most enterprises in the study increases in labour costs were associated with the minimum wages increase rather than the transition to modern awards.
Most employers viewed the minimum wages increase as necessary for low-paid workers experiencing rising living costs. There were exceptions to this attitude among employers who experienced a multiplier effect upon their wages bill from penalty rates and loadings calculated with newly increased base rates, with data demonstrating that patterns of hours impacted upon the labour costs associated with minimum wages increases at those operations.

Beyond minimum wages increases and award modernisation, operations changed very little at most enterprises although significant changes occurred at a handful of enterprises. These included restructures and redundancies, which had the effect of reducing labour costs for three enterprises. None of these enterprises identified the minimum wages increase as being a driving or motivating factor behind the changes that occurred. In addition, changes to employee hours of work were most commonly experienced in hospitality enterprises as part of ongoing ‘lean rostering’ strategies or in response to fluctuations in demand.

A community services enterprise in the study covered by a Division 2B State award was the only enterprise in the study not subject to the minimum wages increase or the commencement of the relevant modern award. Three of the 19 enterprises subject to the minimum wages increase did not appear to apply the increase. Data indicated that the other 16 enterprises passed on the full amount of the increase to minimum wage-reliant workers at the enterprise. In the majority of these cases the minimum wages increase constituted a major component of increases to enterprise labour costs and overall costs to the business since March 2010.

Of those enterprises that experienced an increase in labour costs between the first and second research phases, 11 paid overaward wages to some employees. In total ten of those enterprises paid a wage increase to all or some of the overaward earners in the organisation between the first and second phases of the study. Seven of those operations directly passed the minimum wages increase (the full amount of the increase, or a higher amount) on to overaward recipients.

**Employee experiences between research phases one and two**

Employee participants reported very few changes to their working and household circumstances. The key change, for those employees who received it, was the minimum wages increase. While hours of work changed slightly for some employees, most of those adjustments had only a moderate impact on their earnings.

Minimum wage-reliant employees who were entitled to the minimum wages increase, but who did not receive it, seemed unaware that they were due the increase. Most of the employees who did receive the minimum wages increase were able to identify that they had received an increase in their base rate of pay and believed that minimum wages had been determined by the government.

The stories told by a handful of participating employees highlighted the vulnerability of some workers. Those employees who described feeling vulnerable were generally referring to a lack of confidence that they would be able to find other work if they became unemployed. These workers generally fell into at least one of the following groups: mature aged, very young, women with caring responsibilities, and/or migrant workers. The experiences of new study participants reiterated the findings of the phase one research.
Changes at the enterprise level between research phases two and three

The operating context for enterprises in each of the sub-sectors represented in the study had not undergone any significant change by the third phase of the study. A handful of operations were expecting significant changes in the operating environment in the future. However, only slight adjustments had taken place at the site level in preparation for these events, with the exception of one employer who had increased fees to clients in anticipation of rising labour costs due to future changes to statutory staffing ratios.

Most enterprises in hospitality, retail and manufacturing experienced an improvement in trading conditions over the period. In most cases this was the result of predictable seasonal fluctuations. At operations where revenue increased slightly it was often the case that those increases were offset to varying degrees by other costs increasing, including paying for the extra labour needed to meet the growth in business activity. It was reported by two operators that business had improved greatly since the previous phase, outrunning seasonal expectations. At another two sites operators described revenue continuing downwards. Revenue increased at a community services enterprise due to pricing increases, and at two others due to additional service agreements. At the sites with new contracts, funding went directly toward employing staff to provide the service. A handful of enterprises across the sectors identified new non-labour-related savings and costs. Most employers identified the increasing cost of utilities and other services to the business as an ongoing pressure.

In a handful of enterprises labour costs changed significantly. Two operations that had cut staff in phase two continued a program of labour cost reduction. A manufacturing site made further redundancies and a hospitality site made savings by replacing salaried managers with lower paid staff. Both operators continued to state, as they did in phase two, that the changes were due to an ongoing decline in trade. Staffing numbers and hours grew significantly at a retail enterprise undergoing a steep seasonal peak in trade, and at a manufacturing site due to increased contracts, thereby significantly increasing their labour costs.

Employee experiences between research phases two and three

The working lives of most employee participants changed very little in the four months following the phase two interviews. While a handful of participants experienced increases to pay, changes to hours of work, and/or minor modification to the design of their jobs, most employees did not experience notable changes.

There was no evidence of worsening circumstances for employees, although some did continue to describe ongoing difficulties in meeting their financial obligations and disgruntlement with their hours of work. Others experienced some relief from pressure due to increasing hours and improved local management. Some employees believed they were being paid below the relevant minimum, but were reluctant to pursue claims with their employers. The exception was a unionised site where a claim was successfully made.

Compliance with employment regulations from research phases one through three

It became apparent over the course of the study that the degree of employer compliance with labour standards affected the wages bills and employee earnings at each enterprise. Apparent instances of non-payment of employee entitlements minimised the labour costs at a small number of sites and reduced the earnings of the affected employees. These cases of non-compliance appeared to be due to: a lack of knowledge amongst those employers; prioritisation of other matters over employment issues; and, in a small number of instances, of intentionally delaying compliance to minimise costs. However, most employers were assiduous in their application of award standards and this was reflected in their labour costs and the earnings of their employees.
PART 3

Part 3 of the report provides a synthesis of research findings over the three phases of research.

The operating context for case study employers

The context within which case study enterprises operated remained constant across the nine-month research period in that the pressures they experienced remained largely consistent over time. Key pressures faced by hospitality, retail and manufacturing case study organisations related to dampened consumer demand for the goods and services they sold and increasing competition from discounted goods and services and lower-cost producers. Community services enterprises by contrast faced pressures relating to shortfalls in funding for services.

By the final research visit, many of these enterprises were experiencing an increase in turnover, but in most cases employers acknowledged that this reflected the usual (year’s-end or summer) seasonal upswing in the annual business cycle. These fluctuations in demand due to seasonal effects led to difficulties discerning whether these enterprises were experiencing the beginnings of an improvement in their trading environment; however most of the operators of these businesses attributed the increase in turnover to seasonal effects rather than an upturn in the trading environment.

Adjustments made at enterprise level

The scale of adjustments made in response to contextual changes and pressures on enterprises was determined by the severity or extent of those factors. The type or nature of adjustments made was shaped by an enterprise’s sectoral location and the features of its operating environment, but also by employer capacity and attitudes.

Some adjustments were made to non-labour elements of the enterprise’s operation or through changes to sales, promotion and pricing strategies. However, in sectors other than community services most cost savings took the form of labour adjustment strategies, as labour was considered the most variable and ‘controllable’ of enterprise cost elements. The strategy of minimising costs through labour adjustment was less available to some community services enterprises due to regulations impacting services standards and employee numbers (for example, mandated staff-to-child, staff-to-patient, or staff-to-client ratios).

The principal adjustment strategies used by the enterprises in the study included the following:

- adjustment through labour management strategies (changing categories of staff; cutting paid employee hours; work intensification; owners working more hours in the business; replacing staff who leave with those paid lower rates);
- reducing non-labour costs (of wastage; freight; utilities; insurance; ingredients and other supplies; and labour on-costs—for example workers’ compensation premiums);
- increasing sales (increasing spend per customer; or via increased promotional activity);
- passing the increased costs of providing goods or services on to customers in the form of price increases; and
- in community services enterprises, securing new sources of funding.
Some employers trialled new adjustment strategies at different stages over the research period. Many examples came to light of business strategies adopted by case study employers to increase revenue or margins in the face of challenging operating environments. They included:

- the development and implementation of business diversification or acquisition strategies to expand into new product or service areas, or into new markets or locations;
- remodelling or re-branding business operations in response to changed consumer spending patterns or new areas of demand;
- securing businesses or developing supplier networks within retail supply chains to ‘cut out the middle man’ and reduce the cost of goods sold;
- developing targeted promotions to attract new customers (including new ‘niche’ markets); and
- investing in state-of-the-art technology (plant) to increase productive capacity.

**Employment practices**

Employment practices were the main element of operating practices by which case study employers could contain costs. For this reason, and the view of many that labour management was essential to maintaining levels of productivity and service, most employers focused significant attention on the labour practices used within enterprises and their ongoing refinement throughout the research period. However there was little change over time in the labour management practices used by employers at the case study sites. Most continued to use labour management practices described at the outset of the study, as a matter of standard practice. More marked changes took place at enterprises where revenue had either increased or decreased markedly at points over the study’s course.

The nature of practices used appeared to be shaped by sectoral location and features of the operating context, but also by the capacity of the employer. Employer capacity denoted knowledge of employment frameworks and the resources and opportunity employers had to implement different employment strategies. Structural characteristics shaping the level of capacity within enterprises included ownership and management structures, enterprise size, sectoral location, and access to institutional supports. Capacity and the attitudes (or philosophies) exhibited by employers were found to influence decisions that were made regarding employment practices and adjustment strategies. Employer attitudes shaped employment practices, leading to significant variation in employer application of labour management strategies across enterprises. Operators had different attitudes with regard to their employment obligations. Some took great care to comply with employment standards while others gave a lower priority to employment matters and were comfortable with a workforce that turned over frequently. These differences in both capacity and attitude appeared to shape the degree of compliance at the site level.

Within that context the fundamental practices and principles of labour management described and used by employers remained consistent over the course of the study.
Typical hours management strategies such as lean and low-hours rostering continued to be used by operators who favoured them at the commencement of the study. The exceptions were those enterprises that had reduced or increased staff numbers due to sustained downturns or significant increases in trade or service provision. Consequently the greatest shifts in labour costs resulted from the application of the minimum wages increase at most operations (to both award-reliant and overaward employees), retrenchments at two enterprises and increased staffing levels at another two.

Sixteen of the enterprise case study sites had employees and/or managers in receipt of an overaward wage by the final phase of research. Overaward payments continued to be used in all manufacturing, hospitality and community services enterprises at all stages of the study while remaining rarely used in retail sites.

Employers were asked about changes in employee productivity levels at each stage of the study. However none of the employers in the study engaged in formal measurement of—and thus were only able to provide impressionistic views of—productivity.

Little movement towards new industrial arrangements took place over the course of the research. Three enterprises (a franchise retail operator, and two community services sites) were anticipating collective agreements in the near future, but other operators continued to prefer the award standard, or have no interest in agreement making.

**Employee experiences**

A number of factors acted in a consistent fashion to shape the experiences of employees in this study across the course of the research. They included: employee characteristics; worksite-level employment structures, practices and supports; the importance of employees’ earnings within their households; the time and capacity employees had to undertake work; and local labour market conditions. The way these factors impacted on participants within the study remained stable, although some individual employees experienced a shift in the balance of factors affecting their employment.

Part 1 of the report categorised employees as belonging to five groups according to their attachment to the labour market and where they sat in the lifecycle. They comprised: full-time student employees; young non-vocational employees; young vocational employees; prime and mature age non-vocational employees; and prime and mature age vocational employees. Over the course of the study there was little mobility between the groups, particularly for prime and mature age employees. Some graduating university students and apprentices moved into a ‘graduate vocational employees’ category, with graduating apprentices remaining in study enterprises and university graduates moving to different jobs to utilise their tertiary qualifications. There was minimal mobility between non-vocational and vocational groups other than among full-time students over the nine-month period of study and the only evidence of internal promotion was from within vocational employee groups. Vulnerable employees were evident across each group, although the most acute examples of vulnerability were experienced by non-vocational workers. In the majority of cases vulnerable employees continued to feel consistent powerlessness to change their circumstances. This led to anxiety among employees, who felt they were being paid or treated unfairly by their employer while believing they had no other labour market options.

Overall, the changes experienced by most employees over the course of the study were slight and the pressures and issues faced by most employees in the first interviews continued to be present. The minimum wages increase affected most employees by increasing their hourly rate of pay, and was the most common change to employee earnings across the course of the study. For most employees who received the increase, it provided some assistance in meeting the cost of living but did not take away the key pressures they faced regarding work.
Tensions arising from trying to achieve a balance between earnings, hours of work, and security of employment were persistent employee experiences across the study, particularly among part-time and casual employees. There were changes in the hours of work of some casual and part-time employees, but, on balance, earnings continued to be based on consistent roster patterns over the course of the study for most employees. Overall, increased hours of work were more prevalent than decreases in hours for employees who remained as participants for the duration of the study. Increases in hours occurred during peak periods of trade and demand for services. They were welcomed by casuals and part-timers seeking longer hours, but were less welcome among permanent workers in community services and manufacturing—unless accompanied by overtime payments—and salaried employees whose extended hours tended to be unpaid. Extended hours continued to create difficulties in the lives of overaward recipients and community services workers. In some cases their unpaid hours grew over the course of the study.

It became apparent over time that longevity in casual and part-time jobs was a better guarantee of achieving hours preferences in the retail and hospitality sectors than changing jobs. Casual employees seeking additional hours at the commencement of the study tended to have more hours by the study’s conclusion due to cyclical increases in trade and staff turnover. New entrants, on the other hand, were more likely to experience greater dissatisfaction. In addition, some employees were uncertain as to whether they were appropriately classified, but faced difficulties in taking these issues up with their employers.

The relationship between adjustments and minimum wages increases

When interviewed in phase one of the research, employers identified a range of adjustment strategies that they anticipated using to offset any increase in labour costs occurring as a result of an increase to minimum wages. However it became clear, after detailed questioning during the second and third phases of the research, that where these adjustment strategies were implemented, they were not specifically employed to counter the impact of the minimum wages increase. Rather, most of the strategies identified were employed on a consistent, regular and near-daily basis by employers in the course of running their business.

Strategies for reducing labour costs were most commonly highlighted by employers as those they would use to offset increased labour costs stemming from the minimum wages decision. However, such strategies for reducing labour costs were employed by enterprise managers not just in response to the minimum wages increase, but incrementally throughout the research period as part of a toolbox of commonly-used practices; they were implemented by employers, for example, in response to peaks and troughs in trade and fluctuations in revenue. The extent to which employers sought to reduce labour costs on an ongoing basis, and the practices they used to do so, were influenced by the nature of standard labour management practices in the industry sectors in which enterprises were located (and characteristics of the workforce in each sector), the enterprise’s trading environment and pressures on its operations, and individual employer capacity and philosophy.

The Annual Wage Review 2009–10 decision’s minimum wages increase of 1 July 2010 was applied by employers in 18 of the 20 case study enterprises. Of those enterprises in which the increase was applied, no adjustments to operations were made as a result of the minimum wages increase in six enterprises. This was because: no increase had occurred in a retail enterprise’s total wages bill following the minimum wages increase, and thus no adjustment was required to offset a potential increase; in two community services organisations, increased wages costs stemming from the minimum wages increase had been anticipated and budgeted for, again requiring no
changes to be made to offset the increase in labour cost; and in three cases (one manufacturing, two hospitality), enterprises were operating in a profitable trading environment, providing them with the capacity to ‘absorb’ the cost increase.

In a second group of eight enterprises (four hospitality, two community services, and one each in retail and manufacturing), operators had anticipated ahead of the minimum wages increase that a range of adjustments would be made in response to the increase, and these adjustments were made in the period following the minimum wages increase. However, it became clear that these changes were not made exclusively as a result of the minimum wages increase. Employers in this group asserted that these adjustments would have been made even if no minimum wages increase had occurred, or stated that the minimum wages increase was not the main reason for the changes. Adjustment strategies in these enterprises targeted reduction of both labour and non-labour costs. They were implemented as a consequence of standard operating practice aimed at incremental improvement of enterprise functions, or in response to pressures in the operating context such as interest rate rises, reduced consumer spending and regulations requiring higher staffing levels.

Adjustment strategies explicitly linked to the minimum wages increase were employed in four enterprises. Two manufacturers had increased the price of goods sold as a means of offsetting increased wages costs. In both cases, business owners described how they had only limited scope to reduce operating costs to offset minimum wages increases as production was already running as efficiently as possible. A hospitality employer sought to offset the increased cost of wages stemming from the minimum wages decision by negotiating reduced prices for meal ingredients with suppliers, buying specials (seasonal produce at lower prices), and reducing portion sizes. In the final case of a retailer, the increase in minimum base hourly rates and the multiplier effect this had (in increasing the hourly rates of casual workers paid penalty rates) resulted in the owners taking greater care, when rostering staff, to schedule labour according to the relative ‘value’ of individual employees (in terms of their productive capacity) vis a vis their ‘cost’ per hour.

**Employer views of the minimum wages increase**

At the commencement of the study most employers believed that the minimum wages increases would not have a pronounced effect on their enterprise’s performance and that major pressures such as the trading environment, organisational restructures, increases to interest rates and competition from foreign producers had historically had a much greater impact at the site level. Those employers maintained these views throughout the study and reinforced them at each phase in the study. Employers that did anticipate a significant impact on their business operations from the minimum wages increase tended to operate medium and small retail and hospitality businesses. By the conclusion of the project all but one of these employers believed that the impact of the minimum wages decision had been slight and this was evident in the nature of the adjustments that they made.

**Differential impacts of the minimum wages decision**

The Annual Wage Review 2009-10 Decision was not found to have differential impacts (in terms of the extent and nature of impacts) on enterprises in the study as a consequence of enterprise size or geographical (metropolitan or regional) location. However, the location of the enterprise in terms of industry sector did result in differential impacts on minimum wage-reliant enterprises. The extent of the impact of increases to minimum base rates appeared to be marginally greater for those hospitality and retail enterprises with extended operating hours, who experienced a slight multiplier effect upon their wages bill.
Conclusions

This study has generated an expansive body of information relating to the operation of minimum wage-reliant enterprises and the impact of contextual factors—including minimum wages decisions—on the 20 case study enterprises and their employees. The variation in the array and pattern of pressures that confronted employers and employees was large. However, a relatively clear and consistent research finding was that the 1 July 2010 minimum wages increase had limited impact on enterprises and their business performance within those broader operating contexts; and that many operators regarded minimum wages increases as important for maintaining the living standards of enterprise employees. While there were differences in the type and extent of adjustments evident over the course of the study, they were rarely regarded by employers as exclusively and specifically driven by the minimum wages increase. In cases where adjustments were linked to the minimum wages increase, those adjustments were slight and tended to be continuations of pre-existing labour management, pricing and cost control strategies.

Employee participants regarded the minimum wages increase as stopping them from falling further behind the cost of living. It was also apparent that statutory wage increases were the only increases to earnings that some employees were likely to experience. However, findings indicated that a smaller vulnerable group of employees may not have been receiving the earnings they were entitled to, most commonly in the area of classification, offsetting the relative value and impact of the minimum wages increase.

The impact of the minimum wages increase also extended beyond the minimum wage-reliant workforce in case study enterprises. In the majority of enterprises with overaward arrangements, pay increases for overaward recipients were based on the minimum wage decision, and most of these enterprises passed on the full amount of the 1 July 2010 minimum wages increase to overaward employees during the study.
PART 1

Overview

Part 1 of the report provides a benchmark prior to the implementation of the Annual Wage Review 2009-10 Decision. This phase one benchmark research is based on case studies of 20 enterprises, informed by interviews with 28 enterprise owners and managers and 74 employees of these enterprises. Enterprises were located in subsectors within the retail, hospitality, community services and manufacturing industry sectors. They varied in terms of size, location, and the strategies pursued by their owners and managers. Most, however, were small to medium-sized stand-alone sites managed by owner-operators.

The case study enterprises were selected for inclusion on the basis that a significant proportion of their employees were award-reliant. Award-reliant employees did not include employees covered by overaward arrangements including informal arrangements, or formal arrangements such as enterprise agreements or Individual Transitional Employment Agreements.

The operating context for case study enterprises

For employers in all case study enterprises across sectors other than community services, the economic downturn was still being felt in early 2010, with sales and revenue at continuing low levels. This was felt to be due to a prolonged decline in consumer discretionary income. At the same time, employers faced increases in the costs of producing and providing products and services. Ongoing pressures on enterprises stemming from increasing competition for customers were intensified by the downturn. Reduced discretionary income led consumers to choose cheaper suppliers, retailers, or entertainment options.

The case study enterprises faced heightened competition from large retail and hospitality chains offering discounted prices, or from overseas producers who supplied goods at lower prices.

Across the case study enterprises, the principal employer response to reduced sales stemming from the Global Financial Crisis (GFC) and competition for customers was that of reducing labour costs. In manufacturing, enterprises reduced work hours and staff numbers. Retail and hospitality employers managed rosters carefully to avoid paying penalty rates. They achieved flexibility in hours by employing a core of permanent workers, supplemented by casual staff, and cut casual staff in response to the decline in trade. While these strategies had traditionally been pursued by many of these employers irrespective of the economic downturn, the downturn had compelled employers to reduce to ‘skeleton staffing’ levels, and had led to owners working longer hours in the business to cut labour costs.

The pressures experienced by not-for-profit community services enterprises in the study differed somewhat from those experienced by businesses in the other sectors. Many community services employers reported that the cost of providing services is often higher than the funding for services received from government sources. This resulted in work intensification and in some cases unpaid staff hours.

7 [2010] FWAFB 4000.
8 Transitional minimum wage instruments include transitional Australian Pay and Classifications Scales, notional agreements preserving state awards (NAPSA}s) and pre-reform awards, which were instruments created by the Workplace Relations (Work Choices) Amendment Act 2005 at 26 March 2006. These instruments were derived from state and federal instruments that existed at 25 March 2006 and which on 26 March 2006 moved into the expanded federal system created by the Amendment Act.
Despite these pressures, certain employers across all four sectors voiced a reluctance to cut staff in response to a reduction in trade or insufficient funding (as in community services). This was due to the perceived difficulty of recruiting high quality staff once the economy recovers.

Business strategies developed by case study employers in response to reduced revenue centred on increasing sales through winning new accounts (in manufacturing), and by increasing promotions to attract new customers or diversifying the business (in hospitality and retail). Employers responded to the threat of larger competitors in differentiating their offering by providing superior customer service. Thus a key element of employment strategy for these and many other employers was the recruitment of staff with good customer service skills.

Employers across the study faced difficulties attracting ‘quality’ or skilled staff. In some cases this was due to competition for staff with higher paying employers. In response, employers pursued strategies including recruiting staff with ‘the right attitude’ and training them for the job, recruiting apprentices as a substitute for qualified trades staff, and/or improving non-pay job conditions and benefits in order to attract new staff or to retain existing staff.

The impact of regulation

For community services and hospitality case study employers, compliance with government regulations and new legislation was seen as a substantial cost burden that affected their capacity to provide services or to maintain profit margins.

The principal response of employers in the study to declining revenue or funding was to seek to reduce labour costs. Despite this focus on labour cost minimisation, minimum wages increases were viewed by the majority of case study employers as neither having a pronounced impact on nor constituting a significant pressure on the enterprise’s performance. Minimum wages increases were primarily regarded as one pressure on the enterprise among many. In only rare cases did employers plan for a minimum wages increase as part of budgeting or business planning processes.

Some retail and hospitality employers anticipated that increased costs stemming from the combination of a prospective minimum wages increase and the transition to a modern award would have a marked impact on labour costs. Community services employers saw a minimum wages increase as a pressure if it was not matched by increased funding for services.

Certain retail and hospitality employers saw weekend penalty rates as representing a more substantial cost burden than a minimum wages increases. In some enterprises, this cost burden would increase once higher weekend penalty rates in modern awards came into force, and this was a potential source of pressure for several employers. However, on the whole only a minority of employers were concerned about the impact of the transition to modern awards on labour costs and many smaller employers had little knowledge of the transition to the new awards.

Past and anticipated responses to a minimum wages increase, as with other cost imposts faced by employers, focused principally on offsetting increases by reducing labour costs. Case study employers in all sectors other than manufacturing cut, or planned to cut, employee hours of work or sought to reallocate work hours between employees in different categories of employment. Manufacturing and some hospitality employers in the study passed the increase in wage costs on to customers through price increases. In community services, case study employers cut services to pay for wage increases where government funding was not increased to compensate for higher wage costs.
Employer practices

An array of factors influenced the labour management practices used by employers in the study. They included employer capacity (their knowledge of employment frameworks and systems) and employer philosophy (employer priorities and orientations toward employment practices). These elements shaped a range of behaviours and practices, including the approach employers took in configuring their workforce around categories of employees such as casual, permanent, full time, part time, junior, apprentice, and trainee workers. Retail and hospitality employers in the study used a diverse range of configurations, based around a core of full-time workers supplemented by permanent part-time or casual employees.

A variety of arrangements existed in terms of the mix of full-time and part-time permanent employees in community services enterprises, while in manufacturing enterprises staff were primarily employed on a full-time permanent basis. Case study employers were more likely to maintain a permanent full-time workforce where it was their priority to retain staff given a shortage of skilled or quality labour, or where their philosophy was centred on providing a quality service or product, or quality care.

A central concern for employers in the study was to reduce labour costs to the lowest level possible, albeit not to a level that would impact negatively on the quality of goods or services produced or the level of care provided. Employers minimised labour costs by managing flows and categories of staff throughout the hours of the day or days of the week, to minimise hourly and weekly wage costs.

Rostering practices were linked to case study enterprises’ hours of operation, and employers rostered staff to minimise the amount of labour costs paid in penalty rates or any form of payment on top of base rates. Lean rostering was predominant in hospitality and retail case study enterprises where employers used practices such as reducing the total number of hours worked by staff, using casuals to facilitate cutting short the shifts of employees during quiet times, and managing the mix of categories of staff so as to avoid overtime payments. However, employee preferences for longer working hours often led to high turnover among those employees subject to lean rostering practices.

The use of such strategies led to labour costs remaining steady or decreasing in most hospitality, retail and manufacturing case study enterprises over the 18-month period prior to March 2010. Labour costs had, however, increased in those community services enterprises in which recruitment difficulties led to use of agency staff or required that higher salaries were paid to attract new staff.

Labour costs were the focus of much employer scrutiny, as labour cost minimisation drove many employment practices. In contrast, labour productivity was not formally measured by employers within the study. The measurement of productivity most commonly involved owner-managers of small to medium-sized businesses informally checking on how efficiently staff worked while on the job. Community services employers said productivity was maintained through workload intensification among direct care staff. In manufacturing enterprises, productivity levels were largely determined by the substitution of labour with capital, the extent to which existing capital was used efficiently, and production flows. Multiskilling of staff through cross-training was used as a strategy by hospitality and manufacturing employers to enhance productivity through enabling the deployment of staff across departments.
Use of industrial instruments

Employers paid overaward rates to employees in 12 of the 20 case study enterprises. Overaward payments were paid in recognition of two main employment imperatives: recruiting skilled staff in short supply whose market value exceeded that of the relevant award, or retaining and rewarding staff in low paid positions who brought value to the enterprise. Overaward arrangements were used by some case study employers to provide them with greater flexibility to roster staff across unsociable hours. Four main types of overaward payments were evident:

- a universal hourly rate that rolled in penalty rates but still provided for overtime loadings to be paid (bar and gaming attendants in hospitality);[^9]
- small, discretionary overaward payments paid on top of base rates to workers in recognition of low wages, to encourage retention and recognise performance (primarily in manufacturing, but evident in a small number of enterprises across other sectors);
- salaries paid to employees in areas of skills shortage (chefs, butchers, and hospitality supervisors and managers); and
- structured overawards paid to allied health professionals, some supervisory staff and managers in community services organisations.

Most case study employers appointed employees on award classification scales with reference to the criteria set out in awards, but there was evidence that some appointed staff on the basis of a rate on the scale that they thought was fair (generally the base rate), rather than at a level that reflected employees’ experience or qualifications.

While the award was the central instrument guiding wage-setting practice in the case study enterprises, some employers had contemplated the use of alternative instruments. Employers had considered employing staff on certified agreements in community services enterprises (in which some planned to negotiate agreements), and in retail (in which one employer had unsuccessfully attempted to develop an agreement). Trade unions had pursued certified agreements in hospitality and manufacturing sites, but these had not come to fruition.

Employee experiences

While the experiences of the 74 employees in the study were incredibly diverse, five broad types of employee were discernible. These groups were primarily distinguished by employees’ stage in the lifecycle and their relative vocational attachment. They included:

- full-time student employees;
- young non-vocational employees;
- young vocational employees;
- prime and mature age non-vocational employees; and
- prime and mature age vocational employees.

[^9]: This was a loaded hourly rate paid for all hours worked. Late work penalties were rolled into the hourly rate at an amount based on late work penalty provisions in the modern award. Employees all received the same loaded hourly rate, whether working days, evenings or nights. The employer stated that the rate, taking into consideration the rolled in penalty rates, was above what the award provided for.
Other important contextualising factors were identified as having a fundamental role in influencing the participant employees’ experiences:

- employees’ hours of work, their wages and the categories of employment into which they fell were profoundly interlinked in terms of employee experiences and aspirations. How these factors played out for the individual employee directly shaped their earnings as well as their capacity to have what they considered to be a fulfilling life outside work;

- the relative importance of an individual’s earnings within their household drove their work–life priorities and shaped the risks they were willing to take to change their employment circumstances;

- people with caring responsibilities outside work had their earnings affected in two ways. Firstly, those who needed part-time work had their job opportunities narrowed and they gravitated to lower-paying jobs. Secondly they were earning less, because they were working fewer hours;

- cost-of-living factors and job opportunities shifted depending upon the state of the local economies within which employees worked. This shaped employees’ job and earning options; and

- some employees enjoyed greater flexibility and opportunities to progress in their jobs/careers due to the employment supports and structures available at the enterprise.

Overall, minimum wage-reliant employees in the study described a regime of surviving from pay to pay, very little capacity for saving and ongoing increases in the cost of living. This was particularly acute among non-student employees who were earning low weekly wages. Many participants observed that wages were not keeping pace with increases in costs. Employees described grocery and petrol prices rising and large proportions of their wages being spent on accommodation and housing. Location appeared to have a significant impact on the cost of living, with some workers appearing to pay a premium to live and work in certain areas. The capacity to cover costs was influenced by household structure coupled with other factors including the level of other household income, the degree to which household income had to support other family members, and the priorities and pressures employees had in terms of spending and debt.

Underemployment among the employees in this study was most common for casual and part-time employees. Some struggled regularly to get enough hours to earn a living wage, while others experienced fluctuations in their weekly hours, leading to wide variations in week-to-week earnings. A number of employees were either seeking to work beyond their full-time hours or were already working multiple jobs (in excess of a standard week) to meet their financial goals or obligations. This was a feature commonly associated with employees on relatively low hourly rates of pay.

Many participants were struggling to obtain a balance between work and life. This tended to be most pronounced for individuals with unpredictable work hours, excessive hours, intensive hours or work hours that were unsociable. Contingent workers regarded secure employment as a prime concern. Secure employment provided stable and guaranteed hours that enabled consistent and secure wages.

Neither minimum wage-reliant nor overaward wage earners in the study had in-depth knowledge of wage-setting practices. Minimum wage-reliant workers felt they had no influence over their pay rate (either the appropriateness of the grade they were employed against or the potential for any overaward payment) as it was seen as being at the discretion of the employer and it was generally expected that an award rate would apply. Some employees in skill shortage occupations were the only overaward recipients who felt they had an
active say in negotiating their pay. The employees who recalled receiving previous centralised wage increases reported experiencing little impact in light of their overall circumstances. Manufacturing workers were more likely than others to complain that their rates were too low to be fair, while community service employees frequently complained that their wages failed to reflect the value of their work.

Vocational employee study participants, particularly those in community services, frequently expressed satisfaction and enjoyment in their work. Non-vocational employees were far more likely to assess their jobs in terms of wages, hours and conditions rather than job content. They commonly expressed greatly valuing the social aspects of their work. Very few non-vocational employees felt that they had strong options within the labour market to move or improve their employment. Prime age and mature non-vocational employees in retail and hospitality were inclined to regard improving the jobs they already occupied—by getting better rosters, overtime or more secure employment (the most realistic way of achieving progression). Mobility was generally seen as counterproductive to job improvement among this group.

**Summary**

Employers in the study faced an array of pressures on their business viability. Some enterprises fared better than others depending on their capacity to weather external factors and implement organisational responses. Employees, also confronted a range of demands and obligations that impacted their working and non-working lives. Their capacity to overcome impediments in their employment was largely shaped by their relative labour market power, their relationship with their employer, and the nature of their work-life needs. Both employers and employees regarded a minimum wages increase as only one issue among many complex and interconnected factors that impacted on their respective fortunes. There was one clear topic that arose regularly above all others in the analysis of both employment practices and employee experiences—the issue of hours of work. The importance of hours management to employer strategies, as well as the centrality of hours to issues of wages, security and work-life balance for employees, was identified across the organisations participating in the study.

This is the environment in which minimum wage adjustments will take place. The next phase of the research will investigate the immediate and anticipated impacts of any wage increase (or lack of wage increase). The third and final phase, in November 2010, will examine the actual impact of any wages adjustment on the enterprises and on a range of employees within them.
1. Introduction

1.1 Background and objectives

Fair Work Australia has commissioned the Workplace Research Centre (WRC), University of Sydney, to conduct a qualitative longitudinal study to explore the effects of minimum wage decisions at the level of the enterprise. The aim of the research is to gather data that provides a baseline snapshot of practice and the experiences of employees in enterprises at the beginning of 2010, and insights into the impacts of the June 2010 minimum wage decision on enterprises in the short and medium term (as at July and November 2010).

The key questions guiding the research are:

- How do minimum wage decisions impact on enterprises, their business performance, and their employees?
- Do minimum wage decisions have differential impacts according to the specific characteristics of minimum wage enterprises (such as industry sector, business size and location)?
- What, if any, changes are made at the enterprise level in response to minimum wage decisions?
- What is the nature of other factors working in tandem with minimum wage adjustments to trigger changes to business strategies and labour use practices?

1.2 The benchmark research (phase one)

Part 1 is based on information collected in phase one of the study and establishes the framework for data collection processes and analysis to enable the research questions to be answered. The purpose of the phase one benchmark research is to:

- report on the business settings and circumstances of participating enterprises;
- report on the employment settings and circumstances of participating employees;
- report on where wages matters sit within those contexts; and
- provide a benchmark to:
  - establish the nature of change experienced by enterprises and employees that may occur over the next two phases of fieldwork; and
  - analyse the impact of a minimum wages increase upon participating enterprises and employees.

The data collected in phase one is particularly rich. It has provided a detailed picture of enterprises and their employees. While research undertaken in phase one cannot answer the key research questions, it does illustrate the considerable complexity faced by employers in managing enterprises of all types and the considerable challenges faced by employees in navigating their work and lives. It is in these contexts that any minimum wage adjustment will take place.
1.3 Research design

Data was collected over the course of conducting case studies of 20 enterprises across four industries: hospitality, retail, community services and manufacturing. In-depth interviews were conducted at each site with employers and employees. Where possible, it was intended that the same participants would be involved in all three phases of the study. Broader contextual data was collected from key experts. For a more detailed account of the full research design, refer to Appendix 1.

1.4 The research process for phase one

1.4.1 Key stakeholder interviews

In order to gain an insight into the operating circumstances of enterprises in the four sectors of interest, telephone and face-to-face interviews were conducted with key stakeholders from organisations including employer peak bodies and industry associations, registered employer unions, trade unions, and government-funded organisations. A total of 34 interviews were conducted with 36 individuals (12 union officers and 24 employer representatives) between December 2009 and February 2010. A number of the employer representatives were from organisations that represented employers or employees in industry sub-sectors or that represented the sectoral interests of employers within a particular state. Interviews discussed the operating circumstances and employment strategies of employers, the impact of changes in industrial relations regulations, and the location and characteristics of enterprises in which employees were paid according to award rates. The majority of these interviews were digitally recorded and transcribed.

1.4.2 Recruitment of case study enterprises

Information drawn from key stakeholder interviews was used to target the recruitment of 20 case study enterprises. The recruitment process took place between January and March 2010. The criteria for selection of case study enterprises centred on the notion of award-reliant workplaces; that is, the enterprises targeted for selection were those in which the majority of employees were paid award rates (as these employees would be directly affected by minimum wage adjustments). Enterprises that were out of the scope of the study included those in which employees were covered by industrial agreements such as certified/enterprise agreements or Australian Workplace Agreements/Individual Transitional Employment Agreements, or where all employees were on overaward rates of pay. During the case study recruitment process, it became apparent that, even in workplaces with a sizeable proportion of workers on award rates, it was common for certain groups of employees to be covered by overaward arrangements. This led to a modification of the criteria for selecting cases. Those workplaces, in which some employees were subject to award rates while others were paid overaward payments were considered to be within scope for the purposes of the research.

A variety of sources were used to identify potential case study sites including:

- publicly accessible databases or lists of businesses, coded by industry;
- internet and local business directories, which provided details of employers within specific sub-sectors; and
- key experts who suggested sub-sectors or enterprises that might be targeted for recruitment. In some cases key stakeholders assisted the researchers in making initial contact with owners/managers in targeted case study sites, seeking their participation in the research.
It proved to be very difficult to pinpoint organisations that fell within the scope of the study. There are no reliable resources that can identify award wage–dependent enterprises across the Australian economy. Accordingly, the process of recruitment, where direct assistance from key stakeholders was unattainable, was to identify enterprises that were likely to have award wage-reliant employees in them, contact the employer to establish whether this was so, and seek their voluntary involvement. At each stage in the recruitment sequence, many employers were found to be ineligible or unwilling to participate. Consequently, recruiting the 20 enterprises was a time-consuming challenge. It is worth noting that researchers encountered employers who were keen to be involved, but were in enterprises that did not satisfy the criteria for minimum wage-reliance.

Key reasons for exclusion of enterprises from the study included the following:

- enterprises were out of scope because they were a family-owned business in which the majority of staff were members of the family, all staff were on overawards (common in manufacturing) or were subject to enterprise agreements (common in the hospitality and retail franchise sectors), or in a few cases employees were covered by AWAs/ITEAs;
- researchers’ initial conversations with managers indicated that the enterprises were in-scope and met the criteria for involvement in the research. However, owners/managers declined to be involved in the study or subsequent communication from researchers requesting owner/managers’ involvement in the study yielded no response; and
- enterprises were found to be in-scope, and owners/managers were interested in participating in the research, but did not have time to commit to the study. There was also some evidence of research fatigue, with a number of managers stating that they were frequently contacted by researchers seeking their involvement in survey research. Time constraints prevented many managers from smaller owner-operated enterprises and new business start-ups from participating in the study.

In addition, several hospitality sector managers who were contacted but whose enterprises did not meet the criteria for inclusion, commented that the common use of cash-in-hand payments and concerns about compliance with employment regulations may have been a factor contributing to difficulties recruiting enterprises from within the hospitality sector.

In light of these factors, the final group of enterprises that volunteered for the study proved to be those in which senior managers or owners were more likely to be compliant with employment regulations, members of employer peak organisations or to have an interest in having input into government policy.

1.4.3 Profile of the case study sites

The 20 case study enterprises were diverse in terms of their size, location, and industry sector. Table 1.1 details the cases in terms of these characteristics. Enterprises are categorised by size according to the number of employees employed across all establishments belonging to the one enterprise. However, interviews focused on the operation of one particular site of interest and the employee size of these sites is also provided (in brackets).

---

10 Further information regarding the difficulties associated with identifying minimum wage reliance is provided in section 1.4.7 of Part 1.
Table 1.1: Characteristics of case study enterprises/workplaces of interest

<table>
<thead>
<tr>
<th>Enterprise size (# employees)</th>
<th>Small (1–19)</th>
<th>Medium (20–99)</th>
<th>Large (100+)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>State 1</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Retail</td>
<td>Specialty retailer, inner metropolitan</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Hospitality</td>
<td>Licensed hotel/bistro regional city</td>
<td>Registered club, regional city</td>
<td>Registered club, outer metropolitan</td>
</tr>
<tr>
<td>Community services</td>
<td>Childcare, outer metropolitan (worksite size of 13)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Manufacturing</td>
<td>Printer, regional city</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>State 2</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Retail</td>
<td>Specialty retailer, regional city</td>
<td>Fast food retailer, outer metropolitan supermarket, regional town</td>
<td></td>
</tr>
<tr>
<td>Hospitality</td>
<td>Licensed hotel/bistro, regional town</td>
<td></td>
<td>Disability services, outer metropolitan (worksite size of 16)</td>
</tr>
<tr>
<td>Community services</td>
<td>Family and youth welfare, regional city (worksite size of 11)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Manufacturing</td>
<td>Furnishings manufacturer, outer metropolitan</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>State 3</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Retail</td>
<td>Supermarket, regional town</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Hospitality</td>
<td>Restaurant, inner metropolitan</td>
<td>Licensed hotel/bistro inner metropolitan (worksite size of 47)</td>
<td></td>
</tr>
<tr>
<td>Community services</td>
<td>Aged care, regional town</td>
<td></td>
<td>Job services provider, outer metropolitan (worksite size of 27)</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>Food manufacturer, inner metropolitan</td>
<td>Clothing manufacturer, inner metropolitan</td>
<td></td>
</tr>
</tbody>
</table>

The initial aim was to select five cases from each of the four industry sectors of interest. However, difficulties identifying and recruiting manufacturing sites with identifiable groups of workers paid exactly on award rates led to a redistribution of the number of case study enterprises per industry sector. The final group of case study enterprises included five cases from each of retail and community services, four manufacturing sites, and six hospitality sites.12

Of the 20 worksite case studies, six were in small enterprises, 10 in medium-sized enterprises and four drawn from large organisations. Fifteen of the sites were stand-alone enterprises, while five were part of larger entities in which the site of interest was one of at least two workplaces within the organisation. Six of the enterprises were not-for-profit organisations (two of which were registered clubs). Enterprise size ranged from five employees to 944 employees.

Cases were distributed across various locations. Five sites were based at inner city locations in capital cities. A further six were in capital cities, but situated in outer suburbs. Five sites were located in regional cities and the remaining four were in regional towns. Further details of the location of case study worksites can be found in Appendix 1.11

---

11 Number of employees denotes the number of actual staff rather than full-time equivalents (FTEs).
12 While the researchers did not seek to draw a ‘sample’ of case studies that was proportionally representative of the population of award-reliant workplaces, it should be noted that the greater proportion of hospitality enterprises in the study to some degree reflects the population of award-reliant employees. The Australian Government submission to the Fair Work Australia Annual Wage Review 2010 cites ABS statistics showing that of all industry sectors, Accommodation and food services (the hospitality sector) has the highest concentration of award-reliant employees (50.3 per cent). ABS Employee Earnings and Hours (Cat. No. 6306.0), August 2008, Table 15.
Half the site visits included interviews with 22 overaward employees, including 17 who were identified as overaward recipients before or during the site visits. Five who were introduced as award-based appeared after subsequent investigation to be paid marginally over the relevant award rate.

1.4.4 Employer datasheets

Data pertaining to indicators of business performance/operational data and organisational demographics were collected using a simple information sheet. Managers were asked to provide data relating to organisational demographics (number of employees, composition of workforce), as well as indicators pertaining to revenue, profit/surplus levels, prices, and operating costs (including labour costs). Employers or their administrative staff completed the datasheet and, wherever possible, researchers double-checked the details during interviews. In some cases, particular data items were not provided or estimates were provided. Information regarding profitability was particularly sensitive and some managers declined to provide this data or answered using their own definition of profit.

1.4.5 Case study interviews

Site visits took place between 1 March 2010 and 29 March 2010. Data was gathered at the site level through structured, in-depth, face-to-face interviews with enterprise owners/managers and employees.

In some cases, interviews were conducted over the phone, primarily with senior managers who were not located at the sites of interest. Overall, interviews took place with 74 employees and 28 enterprise owners or managers.

Employer interviews were conducted with the site manager, who was frequently the enterprise manager or owner, particularly in owner-managed single-site enterprises. In larger organisations, where site managers differed from enterprise managers, interviews with senior executive managers were also conducted to gain insight at the macro level of the organisation.

At most sites, three or four employee interviews were conducted by researchers. A range of employees were interviewed at the site level to reflect the diversity of employment arrangements. For example, at sites where shift arrangements were used, at least one shiftworker was interviewed. At sites where minimum wage-reliant employees worked in a range of classifications, interviews were conducted with employees at different points on the grade scale. Researchers also endeavoured to interview a representative mix of employees from across the range of occupations at worksites. In two cases, union delegates were present at the worksite and they were also interviewed. Participation was also determined by who happened to be working on the day and at the time of the site visit.

Employees were asked to bring their payslips to interviews to allow researchers to gather specific earnings data. Where this did not happen, attempts to contact participants were made by telephone and email to cross-check information gathered at interviews and to request access to payslip data. In a handful of cases payslip information was not received. However, using all sources (interviews, employer data sheets and relevant awards), it was possible to establish accurate pay rates and most earnings details for all participants.

Pairs of researchers conducted interviews at each workplace. The research team as a whole comprised six researchers. The average duration of interviews with managers and employee representatives was approximately one hour, while interviews with employees generally ran for 30 minutes. All interviews were digitally recorded and transcribed. All interviewees were guaranteed anonymity and were given the commitment that neither individuals nor enterprises could be identified.
Minimum wage-reliant workers paid award rates are the main focus of the study. However, where overaward rate employees were engaged at the case study enterprises, at least one of these employees was interviewed. Collection of this data enabled researchers to better understand the impact of overaward employment at the site level and the impact on the enterprise and other employees. It also provided insights into:

- opportunities for advancement of award-reliant employees into overaward employment;
- the different types of overaward employees present in enterprises;
- how their experiences compared to those of minimum wage-reliant workers; and
- the balance of award-based payments against overaward payments in the wages bill.

The data collection allowed researchers to examine the full range of wages issues faced by employers at the enterprise and the range of employment strategies they used in dealing with minimum-wage employment. In addition, the inclusion of overaward recipients in the study threw into sharp relief the characteristics of minimum wage-reliant employees.

Incentive payments

Modest incentives were offered to enterprises involved in the study. For involvement in all three phases of the research, case study enterprises will receive $600, with $200 paid after each site visit. The incentive amount is provided on the understanding that all participants are paid for the time they spent being interviewed.

1.4.6 Analysis and reporting of the data

Interview data collected were workshopped by all researchers involved in the collection process soon after fieldwork had been completed. This process enabled key themes and research findings to emerge and feed into the development of a framework for analysis. Transcribed interview data was then coded with the assistance of Nvivo qualitative software. Verbatim quotes were drawn from the transcribed interviews and have been used throughout the report to highlight key themes and shed light on participants’ views. Data analysis and reporting involved the synthesis of views, but also articulates the full range of views, experiences and opinions of interviewees. In the main, the employee analysis reflects the experience of minimum wage-reliant workers. Where analysis and reporting concentrates on overaward employee experiences, that is made clear.

1.4.7 A note about identifying minimum wage reliance and overaward employment

Establishing the existence of minimum wage and overaward rates during the recruitment process proved in some cases to be a complicated matter. Owners and enterprise managers were closely questioned about the award status of their employees during the recruitment process. However, this did not always accord with the reality found in the field. On interviewing (sometimes different) managers at worksites, it became clear in several cases that fewer workers than originally stated were paid on award rates, with most receiving some kind of overaward payment. In each of these cases, employees who were paid award rates were interviewed as part of the study.

In several cases, it was only when researchers compared the actual pay of employees against the award on conclusion of the site visit that it became clear that employees whose managers believed they were paid award rates were actually being paid over the award, albeit by a very marginal amount. In effect, there was a handful of study participants being paid unintentional overaward rates of which neither the employer nor employee appeared to be aware.
Overaward payments took many different forms. They included marginal increases in the hourly rate of pay as well as common law salaries paid well above the award base rate and absorbing all other wage-related entitlements. This study also found an instance where the apparent overaward rate was created by an agreement to work fewer hours each week compared to the award. In effect, employees were technically paid an overaward component in their hourly rate of pay while continuing to receive an actual award rate in their weekly wage. This was not regarded by the employer as an overaward payment, rather, it was seen as a generous concession in terms of hours. It was not until researchers visited the site that this discrepancy became apparent. To further complicate matters, it became clear during interviews that it was standard practice for those employees to work regular unpaid overtime, thereby rendering their actual hourly rate of pay somewhere under the hourly award rate.

This example demonstrates the complications associated with identifying what constitutes minimum wage reliance, as well as highlighting the paramount importance of hours of work. A purely technical concentration on wage rates is liable to obscure this connection. Consequently, the report considers issues of award rates, overaward payments, work hours and a range of other factors and how they interconnect as a whole, rather than examining each in isolation.

1.5 The structure Part 1

Part 1 is presented in three main sections. The first section details the key pressures on case study enterprises and the nature of the responses developed by managers. It does this by examining each industry in turn. The second section provides an overview of the range of employment strategies used by employers at the site level. In the third section, the experiences of employees are examined. Sections two and three report data thematically to enable reflection on patterns of practice and experience that cross industry boundaries. Section four summarises key findings and the research design for the project is laid out in Appendix 1.
2 Operating context: key pressures on case study enterprises and responses

Key findings

For case study employers in all sectors other than community services, the economic downturn was still being felt in early 2010 with sales and revenue at continuing low levels. Fieldwork was conducted in March 2010; for many of the enterprises, January and February are traditionally their quietest months, and responses may have been coloured by this. Nonetheless, for many employers, turnover in the early months of 2010 was significantly lower than in the same period in previous years. This was felt to be a product of reduced consumer discretionary income and rising interest rates. At the same time, employers faced increases in the costs of producing and providing products and services. These included increases in the cost of fuel, shipping, and production components and ingredients.

The GFC and competition for customers were interlinked pressures felt by case study employers in all sectors other than community services. The reduction in consumer discretionary income led to buyers choosing cheaper suppliers, retailers or entertainment options. Enterprise case studies were competing with large retail and hospitality chains offering discounted prices, or with less expensive restaurants, or with overseas producers who supplied goods at lower prices.

In not-for-profit community services enterprises, the cost of providing services was higher than the funding received from government source. This led to work intensification, and in some cases, unpaid staff hours.

In response to reduced sales stemming from the GFC and competition for customers, employers in the study developed strategies to reduce labour costs. In manufacturing, they reduced work hours and staff numbers, while retail and hospitality employers managed rosters carefully to avoid paying penalty rates and achieved flexibility in hours by employing a core of permanent workers, supplemented by casual staff. While these strategies had traditionally been pursued by many of these employers irrespective of the economic downturn, the downturn had compelled them to reduce to skeleton staffing levels, and had led to owners working longer hours in the business to cut labour costs. At the same time, some employers across all four sectors were reluctant to cut staff, either in response to insufficient funding (community services) or a reduction in trade, due to the difficulties attached to recruiting high quality staff once the economy began to recover.

Business strategies developed by case study employers in response to reduced revenue centred on increasing sales through winning new accounts (in manufacturing), and by increasing the volume of promotions designed to attract new customers or diversifying into new areas of business by planning or opening new sites in hospitality and retail. In all three sectors, a common employer response to the threat of larger competitors was that of differentiating their offering by providing superior customer service; thus a key element of employment strategy for many employers was the recruitment of staff with good customer service skills.

Employers across the case study enterprises faced difficulties attracting quality or skilled staff. In some cases, they were impeded in their ability to recruit or retain employees due to competition for staff with employers who paid higher rates. Employers pursued a range of strategies in response, including recruiting staff with the right attitude and training them in skills needed for the job; recruiting apprentices as a substitute for qualified trades staff; improving non-pay job conditions for existing staff in order to retain them and reduce turnover; or attracting staff to jobs on the basis of superior non-wage benefits.
A sizeable group of employers in the study from across all four sectors had experienced difficulties with respect to employing younger employees. They described them as less hard-working, lacking loyalty and the right ‘attitude’ but also more ambitious and focused on quick progression up the career ladder than workers from older age groups. Retail and hospitality employers described difficulties finding staff who would work weekends or flexible hours and who had good customer service skills. Employer responses included providing ongoing training in customer service skills, or hiring older workers in jobs where they might have previously hired younger staff.

For community services and hospitality employers participating in the research, compliance with government regulations and new legislation was seen as a substantial cost to organisations. Compliance activities require a significant amount of resourcing. This impacted organisations’ ability to provide community services and resulted in reduced profit margins.

Minimum wages increases were not seen by the majority of employers as having a pronounced effect case study enterprises or as constituting a significant pressure on their operations. However, some employers in retail and hospitality anticipated that the combination of increased costs stemming from a prospective minimum wages increase and the transition to modern awards would have a marked impact on labour costs. Community services employers saw any increase in wage costs as a pressure if the increase was not matched by commensurate increases in funding of services. Supermarkets and hospitality employers saw weekend penalty rates as representing a more substantial cost burden than a minimum wages increase. In some cases, this cost burden would increase once higher weekend penalty rates in modern awards came into force, and this was a source of pressure for several employers.

Very few employers in the study planned for minimum wage increases as part of budgeting or business planning processes. Exceptions included a large hospitality employer with a sophisticated human resource management information technology system and a strong focus on labour cost control, and several community services employers who factored annual percentage wage increases into budgets and all funding tenders.

Past and anticipated responses to minimum wage increases focused principally on offsetting wage increases by reducing labour costs. Participating employers in all sectors other than manufacturing did this by cutting employee hours of work and shifting work hours between workers in different categories of employment. A common response among manufacturing and hospitality employers entailed passing the increase on to customers in the form of price increases. In community services, employers cut services to pay for wage increases when government funding was not increased to compensate for higher wage costs.

Only a minority of employers in the study were concerned about the impact of the transition to modern awards on labour costs. Many smaller employers had little knowledge of the new awards. In sectors such as manufacturing, there was little impact. Employers perceived little difference between the current and modern awards in terms of pay rates and allowances, and many manufacturing employees were on overaward payments and were thus not affected (where wage rates were lower in the modern award).

This section provides a broad overview of the context within which the case study enterprises operated and the pressures impacting on enterprises. These varied markedly across the four industry sectors in which the case study enterprises were located. Accordingly, this section is structured to examine issues pertaining to operating environments on a sector-by-sector basis. It includes an analysis of employer strategies. Some of these strategies have been developed and implemented in direct response to the pressures facing employers, while other operating strategies are consistently used by employers to improve business performance. Many of these employer responses involve strategies relating to modifying and improving employment practices. These are described in this section, but are also analysed in more depth in section 3 of Part 1.
The strategies implemented by employers in response to external threats provide a measure of the internal capacity of organisations to see off threats in the environment. The size of the enterprise, its degree of financial security and the nature of pressures emanating from the operating environment all determined the degree of internal capacity employers had to improve operations and maintain their viability.

Many of the pressures on case study enterprises highlighted by managers related to the characteristics of the particular group of enterprises studied. In community services, with the exception of a childcare centre, the case study enterprises were not-for-profit operators reliant on government funding, and hence, funding pressures were centre stage. In hospitality, retail and manufacturing the case study enterprises were (with the exception of some hospitality enterprises) small to medium-sized, owner-managed, single-site businesses. For these employers, key pressures included a reduction in discretionary income stemming from the recent GFC, and competition with major retail or hotel chains or with foreign producers in the case of manufacturing. Discussion around the nature of the impact of a minimum wages increase on enterprises and the strategies adopted by employers in response to a minimum wages increase is embedded within discussion of funding pressures in community services, and of costs and inputs in other sectors.

2.1 Community services

The community services enterprises in this study represented a broad range of service providers and included an aged care hostel, a privately-owned childcare centre, a disability services provider, an employment services provider, and a youth and family services enterprise.

Insufficient funding for service delivery was described by sector stakeholders and case study employers as the dominant pressure on the capacity of community service enterprises to operate effectively. Funding pressures have affected service providers’ ability to recruit staff in competition with higher paying competitors for employees, and this difficulty has been exacerbated by shortages of staff in the sector. Case study enterprises endeavoured to recruit staff by offering employment packages containing a number of non-wage benefits. However, managers were concerned that the nature of jobs in the sector, most notably insecure contracts and increased workload intensification caused by funding and staff shortages and increased compliance obligations, acted to deter employees from seeking employment in the sector. Employers anticipated that pressures on wages budgets would come from a number of directions in the near future due to increases to the minimum wage, increased costs stemming from compliance with modern awards, and higher pay rates resulting from the pay equity test case brought by the Australian Services Union (ASU). Unless government funding was increased to match rising wage costs, service providers anticipated that cuts would have to be made to services to offset escalating wages bills.

2.1.1 Funding pressures, minimum wage increases, and compliance costs

Insufficient funding from government bodies has left non-profit community services providers unable to meet the costs of providing services. In addition, study participants asserted that the system of annual supplementation and indexation of funding results in unpredictable funding levels and uncertainty around budgets. The indexation process, and consequently the amounts funded to service providers, has not kept pace with the costs of providing services. Stakeholders from across the different sub-sectors were of this view, echoing the words of this aged care stakeholder, ‘… it is the funding that is the critical issue and wages and increases are only one component of the funding shortfall in indexation …’ Community services employers participating in the case studies explained how increases in funding for wages are commonly indexed at a rate lower than increases in award rates, resulting in shortfalls in wages bills.
Some contracts from government funders which span a two to three-year period did not include indexation formulas or provide increases in funding, forcing community services enterprises to reduce services in order to fund increases in award pay rates. One manager described their response as, ‘All you can do is keep reducing service, unless you’ve somehow managed to factor in some spare money in the first couple of years to use in the last couple [of years].’

Study participants cited underfunding of services as resulting in difficulties recruiting staff, given decreasing staffing budgets and an inability to match the wages of higher paying competitors. Inadequate funding for wages manifested in strategies such as instituting recruitment freezes, or increasing staff workloads in response to workforce attrition. Ultimately, the key impact of underfunding on staff was greater workload intensification and, in many enterprises, long working hours. A youth and family services manager described the effect on employees:

The other thing is just the sheer demand of workload. So that’s another pressure … Every single one of the people who work here today works way beyond their paid hours, way beyond what we would expect to be a normal capacity, probably never feel like they’re up to date, never properly feel like they’ve gone home and can start the new day tomorrow feeling fabulous. As demand’s gone up, funding’s stagnated. [Job] satisfaction’s gone down.

Centralised wage increases added to pressures around insufficient funding. With the exception of the aged and childcare enterprises, managers in community services enterprises budgeted for increases in wage costs when tendering for contracts and as part of annual planning processes. During their budgeting process, the youth and family services provider factored in annual wage increases of three per cent contained in the Social and Community Services (SACS) Award. However, managers noted that some government funding providers do not adjust funding to take into account wage increases. Instead, they provide funding at the same level as the previous year or they index wage funding increases at a percentage rate lower than the percentage wage increase flowing from awards. Accordingly for this employer, centralised increases placed significant pressures on the enterprise and often resulted in cuts to services and work hours:

When an [award] increase comes in, if indexation or supplementation of the grant doesn’t cover it then you have to reduce your service somehow. None of those projects we have are very well funded. So you can start by reducing a little bit of your travel, and you don’t visit so many clients, and then you can start not buying an extra toner for the photocopier … And you end up reducing people’s hours … I’ve only done that a couple of times, where someone’s been a 35-hour week worker and we ask them do they want to go part-time and save five hours. And for a couple of people that’s worked. But most people want full-time jobs.

A manager in aged care was equally apprehensive that an anticipated minimum wages increase would not be matched by a commensurate increase in government funding, and that they would not be able to afford to pay an increase, given existing staff shortages and limited financial reserves:

Say the government said, “Okay, you’re up for $100 extra” [minimum wage increase] this year, your subsidy goes up $100, we are no worse off. But if the wages go up $100 and the government subsidy stays the same, or goes up $5, we’ve lost $95. It’s as simple as that. … You’ve got all these people running around saying the employer can pay. We are locked in. … The facts are we have no surplus. I mean look at the staff in here. This is me. [Paid to work] one day a week, officially. That’s it. How can you cut back on that? [The enterprise has] one full-time staff member in the hostel.

In response to insufficient funding, the employment services provider developed strategies such as seeking alternative funding sources in order to continue to provide existing services, or scaling down expenses elsewhere in the organisation to maintain costs. In the aged care enterprise, insufficient funding has resulted in an increased reliance on the voluntary contributions of staff members, who regularly work unpaid hours, and on members of the local community who provide funding and assistance to keep the site operating. A manager of the aged
care enterprise emphasised that they were a ‘unique’ case among aged care providers due to this high level of voluntary contribution and their small size. He described the nature of voluntary assistance contributed:

> The lady in the op shop is on the [aged care enterprise’s] committee, she’s 84, and she presented a cheque for $2,000. Last year the op shop, which is run by about six people 80 and over raised about $25,000. Now without that and the voluntary sleepovers … At 70 years of age a lot of them [volunteers], at night, nine o’clock, 10 o’clock, they actually should be tucked up themselves, they’ve been here on duty officially until seven o’clock in the morning and then they can go home when the seven o’clock shift starts. We only run because of the great contribution of a lot of people … But it is very unique and this is a very different institution to any other place you’d ever go to and it’s probably not a good representation.

For management and staff of the aged care enterprise, maintaining high occupancy rates was a key focus, as government funding is reduced once a room becomes vacant. However, achieving full occupancy is increasingly difficult given the small and dwindling population base in the area. Staff of the enterprise use their local knowledge and central waiting list registers in nearby areas to fill vacancies as quickly as possible.

Inadequate funding for services has coincided with an increase in the level of demand for services among new groups of clients. Disability support and youth and family services providers, for example, are experiencing greater demand for services from older people with physical or intellectual disabilities who have high support needs, and from young people and families who are experiencing difficulties securing housing given increased accommodation costs.

Alongside inadequate funding to meet costs, the insecure nature of government funding flows was problematic for community services providers in the study. This was due to the competitive funding process used within the sector, frequent turnover of programs, and the prevalence of short-term funding contracts (resulting from the essentially short-term nature of the funding cycle, and from programs being cut). The impact of insecure funding on enterprises was most felt in terms of job insecurity among staff and an inability to recruit staff, many of whom sought stable permanent employment.

The growing compliance costs of administering multiple short and long-term contracts, funded by manifold government departments, was highlighted as a key pressure by managers in the youth and family and employment services enterprises. The ‘micro-management’ of contracts by funding bodies has increased the obligation on funding recipients to monitor the performance of contracts. This has led to a greater administrative, compliance and reporting burden for enterprises, while adding costs to delivery of services and increasing work intensification for staff. Enterprises have responded by lobbying funders of services (state and federal departments and the state government) to change the system, securing arrangements with individual government departments to trial a different approach, and employing more administration staff and managers to deal with compliance requirements—leading to a reduction in direct client work.

Managers in the childcare, aged care, and disability services enterprises also highlighted the heightened costs of complying with changes in community services regulations and policy as a pressure on operations. This increased compliance burden has enlarged the workloads of direct care staff, who are required to deal with compliance issues on top of delivering care to service users. Changes to legislation require staff to be trained in the new legislation in addition to necessitating reviews of systems and policies, and the development of new policies—all of which impose demands on scarce resources.
The introduction of new regulations has resulted in increased labour costs for the aged care and child care providers. The manager of the aged care enterprise was concerned that the organisation was unable to comply with staffing regulations that required significant resource outlay. The enterprise had no surplus funds in the budget and could not afford to make the changes required, and so faced the threat of closure. In the childcare centre, the enterprise faced the prospect of having to employ a greater number of staff as carers, and a qualified childcare teacher, in order to comply with changed child-to-carer ratios and new regulations flowing from the introduction of the National Quality Framework for Early Childhood Education and Care in 2012.

Key stakeholders from the community and health sectors described staffing strategies whereby employers adjusted the mix of staff to employ lower paid workers wherever possible. As one stakeholder explained it, aged care employers are, ‘… looking at your staff mix and trying to maximise efficiency for the dollar...’ Regulation prescribing ratios of staff as well as licensing standards for particular job tasks limits this in some sub-sectors, although there was evidence that some employers in the study appeared to manage the position or progression of employees on the award classification scale to reduce the wages bill, while others also used the award scale to reward and retain staff.

Competition for market share was felt as a less immediate pressure for community services employers than for enterprises in other industries profiled in this report. The exceptions were the childcare provider, who faced competition from a state-funded kindergarten that had been newly built nearby, and the employment services provider, who competed in regular national tendering rounds with an array of other community and private providers.

2.1.2 Employment pressures

One of the most significant pressures on the operation of community services enterprises relates to the recruitment of staff. Stakeholders and employers in the study described shortages of qualified staff in childcare, and difficulties in disability services of recruiting staff able to do the complex and demanding job of supporting people with intellectual and physical disabilities. Employers in youth and family services, employment services, and disability services were unable to recruit and retain staff due to insufficient funding and an inability to match the higher wage rates paid by other employers. A disability services manager explained:

“It’s a very low-paid industry, and people who think that they might want to move into this industry, or transition into a new career, and come along and have a look tend to baulk when they realise how much they get paid. This is a very difficult job.”

The youth and family services enterprise could not compete with wages paid by the public service, nor could the employment services enterprise match the base salaries paid by for-profit employment services providers. In the latter case, the enterprise was unable to recruit and retain competent younger workers due to the low rates paid and limited opportunities for mobility within the organisation. A manager described difficulties recruiting and retaining younger staff in light of competition from state government employers:

“... you’ve got the younger ones saying, “Well I’m definitely not working for that sort of money ...” I’ve had two or three of them, good people, say, “We’ve done that job now for six months. We want you to move us somewhere else now ...” So that impatience to get through ... it’s connected to the wages issue, it is harder to recruit.

[Government service provider] opened up a whole lot of new jobs. So they were taking everybody ... And if you’ve got the choice between two jobs, why wouldn’t you take the one with more money, with less hours that gives you a car, as opposed to the one that says you’ve got to work shiftwork, you’ve got to use your own car. So there’s some real recruitment issues. Now I’ve never felt worried about recruitment until this last, say, eighteen months, twelve months.”
For the youth and family services provider, staff shortages resulted in increased labour costs due to the sustained use of agency staff and overtime payments. Shortages had also impacted the wages bill of the employment services provider, whose managers were required to offer salaries at the top of the award grade scale in order to recruit staff in areas of skill shortage. The new employees were performing the same functions as existing longer-term staff who were earning wages at lower points in the classification scale, leading to inequity across the employee base. This phenomenon becomes particularly acute at the commencement of each contract, when operators nationally are competing simultaneously for labour, and there is upward pressure on wage rates.

Some of the larger community services providers in the study experienced difficulty recruiting specialist corporate services staff (such as human resources, Information Technology, finance or marketing managers) as they were unable to match the salaries paid to these employees by larger corporate sector organisations. In order to attract these staff, they were required to offer increasingly large overaward salaries which were substantially higher than those paid to incumbent corporate staff and employees within the organisation, thereby skewing internal wages relativities.

Outside problems recruiting skilled staff because of difficulties matching competitors’ pay rates, youth and family and employment services providers faced difficulties recruiting staff due to low job security in the sector. As described above, this is due to the short-term tendering cycle and, in employment services, the star rating system for providers of services (an indicator of the degree of security of ongoing funding). The insecure nature of funding affects recruitment in two ways. First, organisations stop recruiting staff when uncertain of funding over the next cycle, which places greater pressure on workloads for the existing staff base and increases the risk of labour turnover. Second, in terms of attracting new staff, employees are less likely to leave their current job if they are unsure that the job offered by the community services provider is secure.

2.1.3 Strategies developed in response to recruitment difficulties

Funding pressures in community services enterprises prevent employers in this study from paying overaward rates of pay to attract staff outside of specialist roles, and so these enterprises have had to find alternative strategies for overcoming recruitment difficulties. In response to difficulties recruiting trained or experienced workers, many of whom are attracted to better paying jobs in the public sector, youth and family and disability services enterprises have taken the approach of recruiting less experienced, high calibre staff and training them internally. Managers in these enterprises support staff to complete training by paying training costs and providing staff with time for on-the-job training with trainers, or by developing ‘self-directed’ e-learning programs administered by registered training organisations. Some managers also discussed the need to better market the benefits of salary sacrifice to prospective employees and explain how this reduces taxable income and improves take-home pay.

Employers in job services have attempted to overcome recruitment difficulties by targeting the recruitment of staff who are former or current employees of for-profit employment service providers, and who are known to be dissatisfied with their job or likely to be receptive to the offer of a job with a smaller workload and more benefits. Enterprise managers contact potential employees and offer a recruitment package differentiated in terms of quality of work-life: the enterprise pays a smaller salary, but its staff have a smaller caseload than their competitors, and they provide a ‘package’ of terms and conditions of equivalent value to salaries offered by for-profit competitors. Packages include non-wage benefits such as fringe benefits, training, bonuses, paid maternity leave and time-off-in-lieu provisions.
Reduced levels of funding for staffing have also impelled employment and disability services case study enterprises to conduct evaluations of current staffing practices and to design strategies for gaining greater efficiencies within the organisation (using, for example, lean staffing models) while keeping staff numbers static. This had yielded positive outcomes in disability services, where widespread consultation with staff resulted in new solutions, service improvements and greater efficiencies.

2.1.4 Employment pressures in prospect

Community services employers participating in the study described a number of looming pressures on their enterprises, including the likelihood of increased wage costs stemming from the pending national pay equity test case for community services workers being conducted by the ASU. Managers in youth and family services supported the case but, in light of insufficient government funding, faced the prospect of reducing services in order to fund prospective pay increases resulting from the case. A manager explained their situation, noting that she considered the prospective impact of the pay equity case as the most significant pressure on the organisation:

I think “How are we going to pay the pay equity case?”, just getting the money, because I’d hate to see services reduced. I think the most serious challenge will be trying to get adequate funding out of them [government] once that’s pursued. That would probably sit up there for me as the most serious thing … Unless we do something about pay equity the other big challenge is how are we going to keep people working in the sector at all, good people.

Those in disability services raised issues around two potential impacts of the transition to the modern award. The first was that wage rates were lower in the new award when compared with the awards currently in force. Managers were concerned that this would present another factor deterring new employees from seeking employment in the sector, adding to recruitment problems. Second, they were apprehensive about having to reorganise staffing arrangements to comply with changes in the modern award, which comes into effect in July 2011 including reclassifying staff, but also complying with changes in the award for staff rostered to do sleepovers at client facilities.

These changes will require the enterprise to hire greater numbers of part-time staff to do sleepovers in order to achieve flexibilities around those shifts, in response to the new award provisions restricting shift length times and the regularity and duration of breaks. The changes would require employers to significantly alter roster patterns, a resource-intensive process, and were anticipated to be largely detrimental to workers. A manager explained:

Our previous award had taken into account the nature of the industry, and this [the modern award] hasn’t and it’s caused a lot of angst. There are people who are having to leave us, because they can’t do sleepovers anymore … what it does mean is extra expense to us, and it’s not so good for the workforce because it means more part-time work, and in an industry that’s not well paid, forcing people to work shorter shifts, it’s not right.

The manager of an aged care enterprise anticipated that weekend and public holiday penalty rates would be higher under the modern award and this was of significant concern to the management of the enterprise. The aged care hostel had an enterprise bargaining agreement which had lapsed three years ago, and is planning to negotiate a new agreement in response to the increase in penalty rates in the modern award. The manager described the impact on the organisation of having to pay higher penalty rates, referring to the fact that the former hospital in which they were housed had been closed down because of a budget deficit which, by his analysis, was caused by excessive wage costs:

… it’s [increased penalty rates] the same as having big wage increases really. … I’d say it could threaten our viability … if that happens we’ve got nothing to spare and the employees themselves, I would say, understand after the hospital experience we’ve seen, not by any means, what’s the point of getting higher wages and then your institution closes? And they have no options for employment.
Likewise, compliance with the new childcare modern award was an issue of concern for the owner-manager of the childcare centre, who faced confusion in interpreting the new award due to conflicting advice on its operation from advisers at several employer peak consultancies and the Fair Work Infoline.

2.2 Manufacturing

All four manufacturing enterprises in this study are small or medium-sized family owned businesses. They included businesses in the furniture manufacturing, clothing manufacturing, food processing and printing sub-sectors. Accordingly, the types of pressures on businesses highlighted by owners were those that were common to small business owners. Aside from this, the key pressures on manufacturing enterprises related to the downturn in the economy, which had resulted in decreased sales revenues since mid-2008. Manufacturing enterprises continued feeling the effects of the recent downturn. As of March 2010, production had not returned to pre-GFC levels. The focus of activity was on increasing sales, but company owners were concerned that the downturn would continue over the short to medium-term future. Added pressures included loss of government clients due to competition from cheaper foreign imports and increased costs of inputs. Minimum wages increases were not perceived as a key pressure on business performance. This was because labour costs on the whole were not seen as an area of pressure to the extent that they were in sectors such as retail and hospitality, and because increased wage costs were passed on to customers through product price increases. Likewise staff shortages were not as much of a pressing issue for manufacturers as they were for enterprises in other sectors, with the exception of specific groups such as specialised tradespeople in critically short supply.

2.2.1 Economic and financial pressures

Data from interviews conducted with industry stakeholders from the textile, furnishings, food processing and printing sectors, as well as the representatives from cross-industry employer associations in all three states, indicated that the GFC had a marked effect on the manufacturing sector, and particular sub-sectors within it. The principal response of employers to falling sales revenue was to reduce employee hours, rather than to cut staff numbers. In the clothing and textiles sector, job losses were more common, but had been occurring well before the downturn due to tariff reductions—at a level of around 5,000 redundancies per year during the previous decade. And in food processing, consolidation of ownership by foreign-owned parent groups was resulting in ongoing factory closures, outside of rationalisation of the industry, as a consequence of the GFC. According to industry stakeholders, a common employer response to a reduction in orders during the GFC was reducing working hours by instituting short-time working arrangements and flexible working through use of nine-day fortnight working patterns, in addition to reducing overtime hours. Most manufacturing sub-sectors employ few casual or temporary agency workers, but where they did, these workers were more likely to lose rostered hours first. A key concern for employers was to retain staff for the period beyond the downturn. An industry stakeholder described the response of employers:

It’s almost as if businesses had learnt that the short-term gain of a rapid reduction in your workplace is followed by a long-term period of pain because you’re trying to rebuild your skills base. So a lot more people were trying to find ways to keep their workforces in place.

Case study enterprises in the furniture and clothing sectors were hit hardest by the GFC, in combination with increasing competition from lower cost imports. A manager from the furniture manufacturer described the recent period as, ‘the worst of the worst downturns in our industry’. As a supplier of commercial furniture, the company felt the effect of large construction projects ceasing ‘basically overnight’. Sales figures began showing the effect of the downturn in August 2008; at the height of the recession, orders dropped by 40 per cent. In response, the company discounted goods substantially and cut margins as a means of winning more orders.
It also reduced its workforce by 20 per cent, and remaining workers’ hours were cut. Sales continued to decline and so another two rounds of retrenchments and reduced hours took place. Retrenchments included managers, higher paid workers, and process workers; casual staff hours were reduced to zero. Redundancy payments cut a significant swathe through the company’s cash flow reserves, and as a consequence:

...all of a sudden the whole business is in strife. We were in a kind of no-win situation. So yeah, we were lucky to survive this downturn ... all of our employees are very longstanding. We've got guys out there with 30, 35 years service and it becomes (a) difficult to retrench them and (b) when you do it’s a very costly exercise as well.

Throughout mid to late 2009, employees' working time was cut from a five to a four-day week (for a six-week period) and to a three-day week for two months. This process was managed in consultation with workers, who were paid for five days’ work while working for three days per week. Two days’ pay was paid out of annual leave, as most staff had large reserves of annual leave accrued. At Christmas 2009, the company offered annual leave in advance to staff who did not have enough paid annual leave remaining to take a holiday. A manager explained their reasons for doing this:

...we realised that they've taken a fair amount of the pain over the last twelve months and it was our way of saying “Well, you're not going to run short on your holiday pay because we'll pay it in advance, or we'll pay long service leave in advance.” We were just working out ways so that they weren't reducing the amount of money that they were taking home.

The business continues to experience what managers view as the 'long-term effects' of the GFC. In many respects it is still operating in a downturn. Revenue and production volume have not increased since the recession. By March 2010, both had flattened out, but core volume had decreased by 20 per cent compared with prior to the downturn. A manager noted:

So we're now learning to live on that volume and make money and survive on that volume now. I don't personally believe that we've come out of this financial downturn yet ... our main aim is to make sure that our workers that we've got left are working a full five-day week. That's probably our biggest goal even if we don't make much money, and reduce our losses. I think uncertainty still in the market is probably the biggest concern for us.

Alongside the reduction in sales caused by the cessation of major construction or refitting projects, the company has experienced a marked drop in the volume of sales due to financial difficulties experienced by the state government, which is one of its largest customers.

The clothing manufacturer, too, experienced a loss of government clients, who had traditionally made up a significant proportion of the company’s business. In line with broad trends in the Australian clothing manufacturing sector, the company had been experiencing a steady loss in sales to overseas imports and had been forced to make radical changes to the business. It had halved its workforce in the last 10 years, had positioned itself in the highest end of the market, shifted to shorter orders but faster delivery of product, and implemented a lean working capital model resulting in minimal onsite inventory levels and shortened production lead times. As a result of the GFC, the company experienced a reduction in sales of 20–30 per cent. This resulted in managers looking to cut costs through a variety of means, including retrenching sales, support, administration and management staff. As with the furnishing case above, sales continued to be ‘flat’ in March 2010, and ‘margins have never been tighter’, leading to a constant focus on cost reduction.

The owners/managers of a printing works were also feeling the impact of a prolonged downturn, with early 2010 described as ‘unusually quiet’. A manager described the effect: ‘We used to have about three to four weeks worth of work backed up behind us, and at the moment we’re flat out getting a week behind us.’ The decline in orders was attributed to the absence of stimulus package payments and tax rebate benefits for small businesses.
to buy business equipment, both of which had boosted customer spending and business revenue throughout 2009 and muted the effect of the GFC on local small businesses, who made up the bulk of the enterprise’s customers, and who were now ‘struggling’.

Likewise, managers in a food production business were struggling to recover from declining sales during the GFC. Having experienced the months of early 2010 as ‘the slowest months in a long, long time’, their view was that the economy was still in recession. Again, this was felt to be because the ‘stimulus package effect has dried up’ and consumers were spending less on their products via the retailers through which they were sold (supermarkets and fast food chains). Their response was to seek and win large contracts from new customers to provide some stability in operations. However, in order to win large contracts, they have had to expand premises, and bought an attached site to house a large, new refrigeration system and blast freezer. They won a government grant to purchase the low-energy, sustainable equipment.

2.2.2 Competition from foreign producers

Alongside the recent recession, the competitive environment in which the enterprises operated was experienced as an equally pronounced pressure on business operations by furniture and clothing producers in particular, who felt the effects of overseas competition most keenly. According to a furniture industry stakeholder, competition with overseas furniture producers (primarily imports from China) had forced many Australian manufacturers to close operations. In the face of competition, common responses adopted by Australian operations included reducing prices or targeting higher ends of the market to maintain a margin. However, Australian producers are essentially price takers from distributors, wholesalers or retailers. Very few Australian furniture producers sell direct to the consumer via retail operations, so most have minimal control over sale prices and margins. In addition, payroll tax was said to discourage local production and disadvantage Australian manufacturers, who are competing with importers who do not pay equivalent taxes.

The furniture manufacturer in this study pursued two strategies in response to competition from imports. The first was to buy components and chairs from China and add value to them by adding Australian fabrics or making other changes. The second was in response to the shift in government procurement practices towards third-party procurement agents and consultants, or architects and designers with responsibility for purchasing products. This had resulted in reduced sales as these agents rarely bought Australian-made products and were more likely to favour imported products. The company’s response was to tender for large contracts that did not involve third-party agents, and they had recently won a number of large federal government contracts of this nature.

As in the furniture manufacturing sector, competition from cheaper imports stemming from a reduction in tariffs over successive decades has led to ongoing closures of Australian clothing manufacturing operations. The clothing manufacturer in this study faced competition from imports, produced for a fraction of the price of producing them in Australia, which were of similar quality to those produced by the case study enterprise. Traditionally, the largest base of customers for the enterprise was government entities, and the loss of many of these clients to offshore competitors had a significant effect on the company. Company managers anticipated that they would continue to lose a number of large contracts throughout the next year due to a continuing lack of support for locally made products in public procurement policies and from the ‘middle men’ who purchase on behalf of government bodies. The company has reoriented strategy around producing ‘high end’ products in an environment where customers are becoming less willing to pay a premium for quality products. The business’s strategy for retaining customers is to offer clients reliability and trustworthiness, as well as providing an ‘unconditional guarantee’ of the quality of all products. This business has resisted the trend towards subcontracting to third parties and staff continued to undertake all work onsite.
Both this enterprise and the corporate furniture manufacturer felt strongly that government procurement policies should support Australian production and local jobs. The owner of the furnishings enterprise stated:

We’d like to see a little bit more support for Australian-made products. It’s great to have all these free trade agreements and everything like that … not all of us can be accountants, we need some areas that we can protect our lower paid workers. They seem to be the ones that are being knocked for sixes. Industries like ours slowly disappear.

A representative of workers in the food production sector described how the dominance of the two large supermarket chains in the Australian retail sector mean that many food producers were reliant for their economic viability on selling to these chains. However, contracts with the major chains are won on the basis of price, leaving low margins, or forcing suppliers to sell products to chains for less than cost. The food producer in this study supplied one of the smaller supermarket chains. Managers recognised that, as a small niche operation, the company was unable to compete on price with very large manufacturers of similar products, and so their focus is to win contracts that enable them to maintain ‘a good-sized margin’. In this enterprise, turnover has grown as they have won more and larger contracts, but wages and staff numbers have not grown to a proportionate degree, leading to productivity gains.

2.2.3 Costs of inputs and the impact of minimum wage increases
For the corporate furniture and food producers, labour costs were not considered to be a proportionately large component of costs (at 33 and 42 per cent of costs respectively). However, for the owners of the printing enterprise, which had labour costs of 51 per cent, there was some impetus to reduce this area of cost. Labour costs were ‘higher than they’d like’ due to the necessity of paying above-award rates to all staff across the board to prevent the loss of staff to local mining operations. At the same time, they were regularly replacing old machinery with new digital machines—a process they described as imperative to survival—which enabled them to improve productivity through reducing staff numbers.

While the labour costs of the furniture and food manufacturer were stable and comparatively low, the costs of other inputs were the cause of greater pressures on these businesses. The furniture manufacturer had faced a 30 per cent increase in the price of production materials from Chinese suppliers in the year to March 2008, with an increase of 10 per cent in 2009 and an expected increase of 20 per cent in 2010. Alongside rising cost prices, the Australian dollar decreased during the GFC, which made the cost of importing materials higher still. This enterprise described itself as vulnerable to decreases in value of the Australian dollar and combined with competition from imported goods, this produced added pressures on the business. The current high level of the Australian dollar resulted in imported goods becoming cheaper, adding to competitive pressures, but had the benefit of reducing the costs of raw materials.

In addition, steep rises in the costs of utilities (electricity and water) were also a matter for concern. A manager of the furniture manufacturing enterprise noted that, in terms of labour costs remaining steady, the fact that none of the employees were union members was a ‘saving grace’. Wages remained at the same level because they were set according to the award—whereas if a union collective agreement had been negotiated, labour costs might be an issue of greater concern.

For the food producer labour costs had dropped marginally as a result of introducing a ‘banked hours’ system. This meant extra hours required as a result of a peak production period were performed by full-time staff at a standardised hourly pay rate, rather than leading to overtime payments or the use of casuals. However, increases in the cost of dairy products—their main input—acted as a key pressure.
In recent years, dairy prices had increased steeply due to disease, drought, and record international prices for dairy products. This increased the costs of goods produced by the enterprise and the renegotiation of prices with customers, which resulted in reduced margins. Managers anticipated that dairy supplies would decrease and prices would rise again as the economy improved over the coming period.

Minimum wages increases in and of themselves were perceived by manufacturing owners and managers as having little effect on business performance or business decisions in their enterprises, as they represented only one element of the wages bill, which was only one component of the increasing costs. They responded to increases in minimum wages by passing on price increases to customers. However, the clothing manufacturer noted that this strategy would likely lead to a loss of customers given competition with less costly overseas products. They were reluctant to increase prices and had not done so since late 2007. The director was contemplating other means of reducing overheads, having recently retrenched as many staff as the company was able to.

Managers at the clothing and furniture enterprises were strongly supportive of minimum wages increases. A manager at the clothing manufacturer felt that the gap between the ‘haves and have-nots’ is growing, and that this made it all the more important to maintain a ‘decent’ floor of standard earnings for workers, even if this ran contrary to business interests. At the same time, however, this manager acknowledged that wages paid by the enterprise were set at ‘the level that the industry can afford’ given competition from lower-priced imports. He was acutely aware that wages were low and related instances of employees resigning from their jobs to go on to the unemployment benefit. The solution he advocated was that government support the industry through procurement policies that favour Australian-produced goods, and pay prices for the goods that allow wage increases to be paid to low-paid workers.

Managers at the furniture manufacturing enterprise expressed similar sentiments. They were strongly in favour of a minimum wages increase in light of increases in living costs and concerns that workers were unable to live on the wages they were paid. In response to a wage increase, managers’ strategy was to increase their product pricing by a commensurate increase; a 3 per cent wage increase, for example, would result in a price increase of 1 to 1.5 per cent. Their priority was to receive a price for their product from government and other customers that would take into account an increase in wages and not damage margins. A manager explained:

I’d hope to see it [increase] because these guys out there [employees] have been almost two years without a pay increase. 2008 was the last one. So I’d like to see it but I’d also like to see the governments and everybody else understand that that’s happened, and not screw us down and try and take away our profits from that. Like, when we go out and say “We need to increase our pricing by a percentage”, that they also understand that as well. And a lot of the time that doesn’t happen.

Similarly, the central concern of the food manufacturer was to maintain reasonable margins. If a wage increase occurred, the owner would consider trying to negotiate a higher price for their product from customers. Customers were generally understanding of the need for owners to increase prices when the owners justified increases on the basis of wages pressures. According to the owner, labour costs remained relatively low at the enterprise, and past minimum wages increases had been absorbed by the business. The owner commented:

I mean I’d hate to be running a business whose margins were so fine that to give these workers another few dollars in their pay packet, that was going to be the difference between my business going out the back door or, you know …
The capacity for manufacturing organisations to plan for minimum wages increases as part of a business planning process varied: the small printing firm did not plan for any increases; the furniture company planned for an increase, but not to any level of specificity; and the food manufacturers planned for a set amount of increase as part of their business planning process.

2.2.4 Employment pressures

In contrast to other sectors, where competition for staff was seen as a key pressure, manufacturing employers participating in the study were on the whole less likely to view this as an area of difficulty. This is most likely because they had been in a period of contraction and had been cutting staff numbers rather than looking to recruit staff. The exception was the printing company, which had faced problems recruiting trained printers by virtue of the relatively isolated location of the regional centre in which they were located, and their proximity to high-paying jobs in local mines. Their response had been to recruit qualified printers from other state capital cities and provide attractive relocation packages and (above-award) wages. This had not proved a successful strategy in the medium term as these staff would typically leave the enterprise after 18 months for higher paying jobs in nearby mines. In future, the owners planned to instead recruit more apprentices and train them in the jobs: ‘At least we’ve got them for four years.’ They planned to recruit three new apprentices from schools or through local word-of-mouth. The owners further expressed concerns that all staff were at risk of leaving for mining jobs—both skilled staff and those performing less skilled roles—and so almost all staff were paid overaward rates to dissuade them from leaving.14

The clothing manufacturer faced similar difficulties attracting skilled tailors, who were in short supply. The shortage was driven by demand and supply—‘tailors could earn as much behind a petrol pump’—and it was rare for young people to enter the industry—‘they run when they hear what they’ll be earning’. The owner’s strategy was to hire tailors whenever he could, even if no tailoring positions were available, and put them in alternative roles until they could placed in a tailoring role. Given these recruitment difficulties, a strategy of retaining existing staff was actively pursued through providing jobs with a range of non-wage benefits including flexible work hours, a warm working environment, secure full-time working hours, permanent positions, and fringe benefits such as parking.

Managers at the food processing company did not identify recruitment of staff as a pressure, but noted nonetheless that any difficulties faced were a function of the low-paid nature of the jobs they provided:

> On the whole yes, it is difficult to recruit good employees, but I also recognise that what we pay, even though it’s above board, they’re pretty shocking wages … But that is an economic reality that we be competitive.

2.2.5 The impact of regulation and the transition to modern awards

Pressures relating to the impact of regulation (including industrial relations regulation) featured fairly low on the list of issues concerning manufacturers in the study. Printing company managers, for example, voiced opposition to payroll tax on the basis that it was an impediment to recruiting additional staff. They needed to replace one of the managers (an owner) who was due for retirement, but were reluctant to do so as they would reach the wages threshold that required them to pay payroll tax.

---

14 All staff, excluding apprentices, were paid overaward rates at this enterprise.
A second employer (the furniture manufacturer) bemoaned the complexity involved in staying up to date with legislative changes, particularly industrial relations legislation (the shift from Work Choices to the Fair Work Act); occupational health and safety legislation; and tax laws. Managers at this enterprise found it hard to keep up with legislative changes because the new regulations were not produced in a simple format. A manager stated (of documentation around legislative change):

It comes out in 500 pages … It’s just keeping up-to-date with all of that, that’s probably our biggest hurdle … We're trying to keep a business running which is getting marginal at best and keep 56 people employed. Then on top of this we’re faced with legislative changes in a number of areas which makes life damned difficult … “Let’s raise superannuation rates from nine per cent to 12 per cent.” Already it’s hard enough but … every time there’s a change in superannuation I almost get a queue of people at my door saying: “Well, what’s this going to mean to me?” A lot of these guys out here [employees] are in their late forties, fifties, or sixties.

There was little anticipated impact of the transition to modern awards on the wages bills of any of the enterprises. This was either because there was minimal difference between the pay rates in the former awards and those in the modern awards or because most of their employees were on overaward rates and where modern award rates were higher, and managers were not required to change their pay rates. It was rare for modern award rates to be lower than those in former awards. One exception related to apprentices employed by the printing works. The modern award rate for apprentices was lower than the previous award and so employers chose to continue paying wages at the current higher level in order that staff did not experience a decrease in earnings through the transition to new modern award rates.

2.3 Retail

Retailers in case study enterprises shed light on the variety of experiences and operating contexts common in the sector. The retail enterprises in this study comprised a fast food franchisee, a specialty goods store, a plant nursery, and two independent supermarkets. Across the board, labour costs were given prominence in cost reduction strategies implemented by study participants in response to a range of external pressures. Consistent with manufacturing employers, the food and plant nursery retailers in this study saw competition from large retail chains on the basis of price discounting as the principal pressure on their business. This was interlinked with pressures stemming from the downturn in the economy, as customers chose to shop at larger chains offering goods at lower prices. The supermarkets were also feeling the effects of a prolonged reduction in consumer spending which began in 2008. This had resulted in reduced margins for supermarket retailers, who had responded primarily by reducing labour costs.

Labour costs made up a critical component of overall costs, and some employers focused much effort on maintaining labour costs at benchmark levels. Increases in other fixed cost elements usually resulted in business owners adjusting labour costs downwards by shedding staff and working longer hours in the business themselves. Retailers claimed that they had responded to minimum wages increases in the past by cutting paid staff hours through reducing staff numbers (primarily casual staff) and reducing employees’ hours of work.

Retail owners in the study fell into two camps with respect to the introduction of the modern awards: smaller specialist retailers, who had no knowledge of the transition to the modern awards, and larger supermarket owners, who expected the award to have a significant effect on labour costs (due to increased weekend penalty rates and allowances). Their anticipated responses included reallocating tasks and staff in order to avoid paying any associated wage-related penalties wherever possible.
The case study enterprises had mixed experiences in terms of pressures around recruiting staff: while some employers described difficulties finding quality staff, others were inundated with staff seeking jobs, and accordingly saw recruitment as less of a problem.

2.3.1 Competition for customers

The two independent supermarket owners described themselves as unable to compete for customers with large supermarket chains, which had greater buying power and were thus able to offer goods at discounted prices. One such operator, in a small regional town, was losing greater volumes of sales to the large chains over time. A store of one of the smaller discount food retail chains had opened nearby and this had resulted in a 50 per cent drop in sales for the independent supermarket. In addition, local customers were increasingly prepared to drive 40 minutes to shop at the nearest of the large chain stores on the basis that this supermarket offered discounted prices and a wider selection of products.

The strategy developed by the independent retailers in response centred on differentiating their offering from those of the major chains by providing a more localised or community-focused service. One of the two independent retailers in this study positioned itself as a supporter of the community: it sponsored most local community events and provided food and drink to events free or at cost price. Managers felt that the local public recognised the enterprise’s community focus and contribution. They also ran a rewards scheme in which customers received prizes. However, the owners were ‘too busy trying to operate the business to do publicity’ in order to build awareness of the community support provided by the retailer and potentially capitalise on this by building customer goodwill. Supermarket staff also provided extra services to customers such as helping them carry their bags to their car, home-delivering groceries to housebound customers, and putting groceries away for the customers to whom they home-delivered groceries. In performing such tasks, the store was providing a community service. However, the owners noted that many of these customers were elderly and placed very small orders (on average $30 worth of groceries). As a consequence the retailer was ‘stuck with the high maintenance customers’ while the chains attracted those customers whose average grocery spend was significantly higher.

The second supermarket was an independently-owned convenience store which attracted local custom by virtue of stocking to meet local needs and having long opening hours, with customers able to make quick purchases by parking directly outside the shop. These factors meant that customers did not mind paying a slightly higher premium for convenience. The owners were pre-empting the threat of one of the large chains setting up locally by buying property in the local area with a view to establishing a larger supermarket.

The independent nursery operator faced competition for customers from the major hardware and nursery chains, which sold the more popular (‘bread and butter’) plants at cost as a drawcard to entice customers to visit the store to buy hardware or other purchases. These large chains (as well as the major retail chains) used a strategy of matching the price of plants that sold well at small independent nurseries. The owner described situations where the nursery had begun offering a plant line at a price lower than that of one of the large hardware chains, and how the local branch of this large chain had instantly dropped their price to match. The activities of the large chains diverted sales from the small nursery. The owner’s response was to differentiate their offering from that of the chains through a number of means, such as: offering superior customer service—the nursery employs fully-qualified horticulturalists who give customers advice; running promotions such as weekend workshops on particular gardening topics; offering a broader selection of plants and different plant lines than those held by the large chains; and by extending their opening hours to close later on Thursday nights.
A key strategy to strengthen the position of the nursery relative to the large chains, and cut costs, was that of managing the supply chain by setting up a local network of small independent nurseries who buy stock direct from local growers. The group of stores commissions local growers to grow stock for them. The owner of the nursery explained:

I feel if we don’t get as many local growers together as we can, and other retail nurseries to get our growers to the point where they can support us, otherwise these big chains are going to take over and they’re going to push us out … all the small blokes have got to be together to support the growers, to keep that chain going.

In the case of the franchise fast food retailer, competition for customers was not considered a pressure. This enterprise was located in a food court of a large shopping mall, so in this respect it faced competition from other franchised food outlets. However, it offered a fairly unique product, supported by heavy branding and promotions aimed at a particular demographic (younger, relatively health conscious consumers), and so these factors strengthened its appeal in the midst of numerous other offerings in the food court.

2.3.2 Economic and financial pressures

Retail sector stakeholders interviewed for this study were of the view that the effect of the GFC on the Australian retail sector had been relatively muted due to the Government’s strategy of issuing stimulus package payments to consumers. In addition, where retailers (primarily non-food retailers) sourced merchandise from overseas, pricing became more competitive as the Australian dollar gained strength in the period following the height of the GFC, and this offset the drop in sales resulting from the economic downturn.

Case study owners and managers reported that the stimulus payments buoyed retail sales throughout late December 2008 and most of 2009. However, by late 2009, sales were down, in part due to successive interest rate rises which had the effect of reducing consumer confidence and willingness to spend, and reducing discretionary income. This has had an effect on smaller retailers as shoppers seek discounted goods—which are more likely to be found in the larger chains.

The effect of the GFC was most strongly felt by the independent supermarket operating in a small regional town. For this retailer, a drop in sales began in January 2008. Owners noticed that local spending patterns had changed—customers bought cheaper staples and travelled further to shop at the larger chains. The stimulus package helped them to have an ‘average’ year in 2009. However, 2010 had brought ‘their worst January/February ever.’ Contributing factors related to the regional location of the enterprise: the largest local employer has closed and then reopened again with great regularity in the last few years (leading to reduced income security for many people in the town). Drought has had a pronounced effect on the area, and numbers of tourists to the area have decreased markedly over the last year. At this enterprise, like-for-like sales—that is, sales compared with the same point in time in the previous year—have declined by 10 to 15 per cent in the last 12 months. A further effect of the drop in retail trade is that suppliers are refusing retailers credit to prevent the risk of incurring bad debts. This has meant that this retailer has run their store at low stock levels: an additional factor encouraging customers to switch allegiance to the (better stocked) major chains.

This retailer responded to the drop in trade in a number of ways. First, staff numbers were reduced (from 36 to 29 employees), and the owners have used strategies to cut the wages bill further (described in later sections). They have also cut two to four per cent off margins to make themselves competitive with the larger chains, which has impacted on profit levels. Other strategies include selling one of their businesses, the owners working long hours in the business to avoid labour costs and pushing staff to work harder and faster. However, retaining
good staff was a priority and so the owner was wary of working employees too hard. Despite this, the comment was made that the business was ‘starting to behave like a chain store in terms of workforce intensification.’

The second independent supermarket in the study also noted that January 2010 had been much quieter than January 2009, and anticipated that 2010 would be a difficult year. Development in the area has increased house prices. It was expected that interest rate rises will reduce the discretionary income of house buyers in the area, compelling them to shop at the large chains. Additionally, this retailer had bought land in the town to develop a new site, and higher interest rates will increase the cost of servicing debt.

For the other retailers in the study, the GFC had less effect than locational issues or those relating to competition. For the specialty goods retailer, the GFC had led to a drop in trade among corporate clients. Despite this, they had set up a new store in a new location in the expectation that business would bounce back.

2.3.3 Costs of inputs and prices

For retailers, key cost components include labour costs, rent, and stock—the cost of which may be affected by changes in freight costs, exchange rate fluctuations, or factors affecting food production. Industry stakeholders described how a common response among retailers to an increase in costs (and reduced margins) was that of cutting the jobs of casual and junior staff.

Labour costs were a central concern to the owner of the small independent nursery. As the nursery is prone to seasonal fluctuations in staff workload and revenue, the owners manage the wages bill by mainly employing casual employees. The owner noted that this strategy presented certain risks in terms of retaining staff:

We’d love to run full-time people here all the time. But because there’s four seasons there’s too many breaks. There’s too many hard times to carry them through. And so the risk we run is having two really good horticulturalists that are casual, they could move on. Someone could offer them five days a week and then they’re gone.

This nursery grows its own plants and so the stock needs constant tending, resulting in high labour costs. They also need to employ highly trained horticulturalists who are able to give customers advice, so there is the potential for labour costs to reach high levels (they currently run at 30 per cent of revenue). Labour costs have decreased since 18 months ago, but little since then: on buying the nursery in 2008, the current owners reduced the wages of most employees from overaward rates to the award rate (the nursery was purchased from a previous owner who paid staff at much higher rates).

The owner described the difficulty of running the nursery at a profit given high operating costs. Insurance costs, for example, were prohibitive as insurance agencies will not insure live products (plants). The owners were therefore required to take out a range of other insurance policies relating to, for example, loss of trading. The cost of workers compensation premiums was seen as a burden, as was the cost of freighting plants from wholesalers—most located some distance away in state capital cities. Freight costs were significant, at 25 per cent of invoiced value of stock.

In light of relatively high cost components, the owners have developed alternative lower cost strategies, such as: growing plant stock from scratch at the nursery (thus avoiding mark-up paid to wholesalers and freight costs); buying a van (with assistance from the 2009 stimulus tax benefits package for small businesses), which they use to transport plants from wholesalers in capital cities; and contracting local growers to produce stock for their
nursery and for other small nurseries in the local area. The latter strategy results in no freight costs and an ability to differentiate their product among customers by advertising the low 'plant kilometres' and carbon emissions involved in transporting plants.

The supermarket and fast food retailers in the study strove to maintain labour costs (as a proportion of sales) at the level of benchmarks set for the supermarket industry as a whole (10–11 per cent), and in the case of the fast food retailer, at the level of the benchmark advised by the franchise owner (27 per cent). Where labour costs surpassed the benchmark level, owners of both supermarket stores did not pass this on to consumers in price rises as they adhered to the food group's pricing policy (in which prices are set with regard to prices at other supermarkets). This was necessary in order to remain competitive. Where labour costs increased, business owners would cut paid staff hours or jobs and work more hours in the business themselves. A supermarket owner explained the rationale for keeping labour costs at benchmark level:

The [benchmark labour cost] percentage is set in concrete to make a business work in the supermarket industry. You go outside the percentages, you fall over. It's fairly tight. So you review your expenses at the end of the month, and the following month you make the appropriate adjustments and if that's staff to go, staff go. So our biggest costs after stock are staff and electricity. So electricity's going up, it's going to go through the roof, staffing rates rise, we just make the appropriate cuts to staff, because it's the only one that we can [move] up and down easily.

Both of the supermarket owners in the study saw weekend penalty rates as posing a significant cost burden on their businesses. One retailer voiced strong views on penalty rates, describing them as:

... just stupid. We've had seven-day trading for 15 years ... The Government's encouraged us to be open seven days a week ... So we're open seven days a week, the community expects us to be open seven days a week, and because we are there to meet a need, we have to pay a penalty for it. I don't care whether full-timers would get two days off somewhere else during the week – I don't care, that's your weekend. Why do we need to pay a penalty for Saturday and Sunday workers ... If we didn't open here on the Saturday and the Sunday, we would lose half our business.

2.3.4 The impact of minimum wage increases and the transition to the modern award

Retail industry stakeholders described how increases in minimum wage rates have a pronounced impact on retail margins when the percentage level of wage increase is higher than that of Consumer Price Index (CPI) increases. Where wage increases are broadly in line with CPI increases, this is seen to have relatively little effect on margins. Minimum wages increases have a pronounced effect on businesses in the retail sector because they are the central guide to wages. Because retailers are driven to maintain labour costs according to specific wages-to-sales ratios, they must find efficiencies in labour costs to offset any wage increases that occur. The most common responses of smaller operators centre on reducing paid staff hours by shortening work hours or shedding staff. It is rare for retailers to pass on wage increases to consumers in the form of price increases, given intense competition in the sector and the prospect of losing market share to competitors who sell products at discounted prices.

As in other sectors, employers responded to reductions in revenue by minimising their total wages bill. However, the base rate component of their wages bill, and increases in the base rate, were not seen as a significant cost impost. Their focus in minimising wage costs was on minimising those aspects of wages that attach to base rates, such as penalty and allowance payments. For this reason, most of the retailers in this study did not see a minimum wages increase as having a pronounced effect on business performance or as representing a critical pressure on the business in comparison to other factors. A supermarket owner/manager was the exception: within the array of pressures on the business, wages and wage increases were the leading pressure impacting
business performance. He explained that wage costs were the company’s ‘… biggest cost other than stock, and it’s a controllable cost, so it’s number one.’ With regard to adjustment strategies, the supermarket owners in this study followed industry practice as described above. They increased the prices of goods at the level of CPI increases, when they occurred, but did not increase the prices of goods in response to a minimum wages increase.

None of the retailers in the study planned ahead for minimum wages increases as part of a budgeting or planning process. The owner/managers of the supermarket and nursery businesses responded to increases after they occurred, most commonly by cutting paid staff hours through reducing staff numbers (primarily casual staff) and reducing employees’ hours of work. In contrast, the owner of the specialty goods store stated that he absorbed the cost of minimum wages increases; he did not cut staff hours or numbers and did not pass cost increases on to customers in the form of price rises. The owner of the fast food franchise had not operated the franchise when previous minimum wages increases occurred and had little knowledge of the pending minimum wage decision, so had not given consideration to how the business would respond to a potential increase. Anticipated responses included hiring younger staff at lower (junior) wage rates to reduce wage costs, and attempting to offset a potential wage increase by increasing promotions and thus sales.

Retail sector stakeholders interviewed for this study estimated that for larger retailers the transition to modern award pay rates on 1 July 2010 had the potential to incur a cost increase of 10 per cent (of labour costs to total costs) or, an increase of one to two per cent of labour costs per year if cost increases were spread over the five-year transitional period. This was seen as having a substantial effect on margins.

One supermarket owner was concerned that increases to weekend penalty rates in the modern award (from time-and-a-half to double-time on Sundays) would lead to weekend labour costs increasing by five per cent. In preparation for the transition to modern award rates on 1 July 2010 and the imminent increase in labour costs, this owner had begun reducing staff numbers (mainly ‘less productive’ employees, casual and junior staff, and a manager—incurred a $30,000 redundancy payout) and cutting the hours of other staff. The owners had reduced staff numbers to ‘skeleton staff’ levels on weekends, but noted that a consequence of such tight rostering was increased theft of merchandise by customers. A further focus was trying to bring about productivity increases through pushing remaining staff to work faster and harder. Underlying these strategies was competition from the major chains, which, according to the owner, had in place collective agreements with flat hourly pay rates absorbing weekend penalty payments. This retailer felt that the major supermarket chains had an unfair advantage over smaller operators because they had made their collective agreements at a time when the statutory standard against which agreements are tested was lower and they will thus be exempt from any increases in penalties flowing from the modern award during the life of the agreement. This employer had also attempted, unsuccessfully, to negotiate a certified agreement in order to avoid having to pay higher weekend penalty rates (described in more detail in section 3.8).

The second supermarket owner in the study was also highly critical of changes to penalty rates stemming from the new modern award, particularly those relating to extra payment for workers who stock freezers and dairy cases. Staff at this store performed these (freezer) tasks for five to 10 minutes each night and the owner could not see the sense in paying extra penalty rates for each hour of the shift given the short amount of time spent on these tasks. In order to avoid paying the penalties, the owner planned to carry out these tasks himself.

The small retail business owners in this study had no awareness of the transition to modern awards and no knowledge of the content of the new awards. Hence they were unable to anticipate any impact of the awards on their business.
Compliance with regulation more broadly was seen as a pressure by the nursery owner, for whom GST was difficult to manage (thus requiring relatively costly expert financial advice) and for an independent supermarket operator, who found administering the award difficult, particularly around paying penalty rates at certain times. This owner advocated the need for a simplified system which would ease payroll management.

2.3.5 Employment pressures

A variety of pressures around the recruitment and management of staff were at play in the case study retail enterprises. Owners of the nursery and the two supermarkets described difficulties finding employees who were willing to work flexibly, work weekends, or work the hours of operation of the business. All bemoaned the poor work ethic of many younger workers. The owner of a supermarket described how it differentiated itself from the large supermarket chains on the basis of superior customer service, and so their priority was to recruit staff with ‘a little bit of personality, the ability to think for themselves, and to be available when we need them—a difficult combination to find.’ It had taken nine months to find a new staff member to work in their delicatessen section. This was one of the only full-time jobs in the workplace with regular weekly hours. They received a large number of applications for the job—most applicants were interested in the job because it offered standard hours—and advertised the position through an employment agency at significant cost.

The specialty goods shop owner felt that it was harder to recruit staff now than it had been during the GFC, due to the economy improving and greater competition for good staff. Competition for staff was also a factor for one of the supermarkets, whose owner found it hard to recruit management staff in light of competition for retail managers from the higher paying large chains.

The nursery owner received numerous job applications from jobseekers who were overqualified, but who did not want to do manual work such as potting up plants. The owner of the fast food franchise was likewise inundated with resumes from jobseekers and did not have any difficulty recruiting staff. All workers in this enterprise were high school students or recent school leavers, and through its branding the chain positioned itself as a young and fun place to work. Hence there was a certain cachet attached to working for the chain and much demand for jobs from young workers.

2.3.6 Seasonality issues

The nursery and fast food operator were each affected by weather patterns and seasonality of demand for products. The fast food operator’s turnover increased markedly on hot and sunny days, and turnover halved over winter months. The response of the owner was to strive to keep to the 27 per cent labour cost target throughout the winter months.

For the nursery, sales were affected by weather patterns (the amount of rain and sunshine occurring) and radical drops in temperature could result in the loss of thousands of dollars worth of stock. During the drought, water restrictions resulted in customers no longer buying garden products as some left their gardens to die. The owner was waiting for the water restrictions to be lifted and anticipated that sales would increase when this occurred. However, concerns lingered that another drought could occur. Regular seasonal changes resulted in peaks and troughs in revenue, with little revenue over the four-month mid-year period when people tend to neglect their gardens. Staff are cut back significantly over winter, with revenue and staffing peaking in the period leading up to Christmas. Each year, the owners set aside revenue from the Christmas period to pay costs throughout the following winter.
2.4 Hospitality

The six hospitality enterprises in the study included two registered clubs, a multi-site hotel and bistro enterprise, two single-site licensed hotel/bistro operations and a restaurant. Many of the pressures on business encountered by hospitality employers in the study were similar to those described by retailers, as were their responses. Like employers in other sectors, managers faced difficulties recruiting staff with customer service skills and those in areas of short supply such as trained kitchen staff. The GFC, too, had a pronounced effect on some hospitality employers due to the continuing decline in consumers’ discretionary income. This was combined with increased operating costs. Primary employer responses to declining revenue and cost pressures—including minimum wages increases—included promotions aimed at attracting new customers and cutting labour costs through tighter rostering of staff and reducing the work hours of casual employees. As in retail enterprises, in some cases this led to work intensification for the core of remaining employees. The response of targeting labour costs as an area for cost reduction was consistent with hospitality employers’ overarching strategy of minimising labour costs through careful rostering. This entailed minimising the number of rostered hours that attracted penalty rates and, more commonly, managing hours across different categories of workers (full-timers, part-timers, flexible part-timers in the Clubs sector, and casuals).

Minimum wages increases were not considered to present a substantial pressure on the business. However, the imminent minimum wages increase was considered more of a pressure when combined with increased wage costs stemming from the transition to modern awards. Past and anticipated responses to wage increases included passing on wage costs to customers in the form of price increases, reviewing rostering to cut staff hours, and changing the employment of status of staff from casual to permanent in order to reduce hourly base rates.

2.4.1 Economic and financial pressures

For several hospitality employers, the strong and ongoing effect of the recession posed a significant pressure on their businesses. Those most affected included a licensed hotel/bistro in a small regional town, an inner city restaurant, and a registered club in an outer-metropolitan suburb. Consistent with the experience of some case study employers in the manufacturing and retail sectors, managers at all three of these hospitality enterprises described the early months of 2010 as having been the quietest they had experienced in many years. Reduced levels of discretionary income among customers had coincided with increases in the costs of many inputs. Consistent with the response of some retail and manufacturing enterprises, employers’ primary reaction to the slowing of trade was to review all costs, particularly wage costs, and reduce rostered hours. In most cases, enterprises maintained the rostered hours of a core of full-time employees and reduced the hours of casual employees. They also attempted to increase sales by running promotions, some of which were loss-making, in order to attract new customers. Given the reduced discretionary income and greater price-sensitivity of customers, enterprises have kept the price of products steady by absorbing increases in the costs of inputs (for example excise tax costs), leading to lowered margins.

The inner city restaurant provided an example of a small business which felt the full effect of the GFC. The downturn in the economy had resulted in a prolonged decline in trade beginning in mid-to late 2008 and its effects were still being felt. The owner stated:

This would be the toughest period we’ve ever been through … We’ve had some bad weeks before, but they generally turn themselves around in a week to two weeks, whereas this has been seven to eight weeks of consistently losing money.
By March 2010, turnover and profitability were at the lowest levels they had been since this enterprise had begun operating four years ago. Trade had reduced significantly as a consequence of the GFC, and the owners had incurred debts by renovating and relaunching the restaurant in response to the decline in trade. The public perception was that the restaurant, in its previous incarnation, was a fine-dining restaurant. This had deterred customers from frequenting the restaurant during the downturn, and so the owners relaunched it as a more informal dining experience, with lower food prices.

Since 2008, the cost of inputs had steadily increased and suppliers introduced fuel surcharges (which remained in force), both of which decreased profitability. The owners were unable to pass these cost increases on to customers in the form of increased prices, as discretionary spending remained low and the GFC had resulted in changed corporate behaviour. An owner noted that, ‘expense accounts have been slashed, Christmas parties have all been reduced … There’s not the fat out there that there used to be’. The response to the drop in trade was to cut costs wherever they could. The owner detailed where costs were cut:

... It’s a matter of skinnying [sic] out all the unnecessary costs. But the GFC did all that anyway. The GFC came around and we sacked our cleaners and started getting the staff to do it, stopped using flowers in the restaurant, all that sort of stuff. There’s only so far you can go. We don’t use linen anymore. There’s only so much that you can take away.

While the price of meals had been reduced, the labour-intensive nature of the sector meant that it was not possible to reduce labour costs to an equivalent degree, which had resulted in smaller profit margins. The owner remarked that, ‘the cost of goods comes down but wages doesn’t, because it takes just as much labour to carry out a $20 plate [meal] as it does to carry out a $40 plate’. Labour costs were cut through non-replacement of staff through attrition and through making a number of full-time staff redundant at the end of 2008, to the point where they were operating with half the staff numbers that they had previously. The business was continuing to struggle, forcing the owners to look again at cutting the hours of casual and part-time staff. However, they were reluctant to do so as they did not want to cut the hours to such a level that they would lose valued staff. The weekly wage bill remained the same despite fluctuations in the level of turnover, and there was little scope for reducing wages further. The owner explained:

We were a business turning over $45,000 a week, it’s now turning over $25,000 to $35,000 a week. We’re trying to maintain our staff. We don’t want to let our staff go. Of course, we’ve had to reduce the hours of casual employees. But at the moment, my wages are still about 10 grand each week … People are already at a minimum point whereby, yes, I could reduce the wages by a few hundred dollars a week quite easily. But all I’m going to do is lose staff over it. So I don’t consider that an acceptable trade-off at the moment. There’s not really much more I can do to control my wages. All we can do at this point is try and increase turnover to make the wages look more palatable.

The cost of having to recruit and train new staff, if business increased, was prohibitive. The owners were reducing the hours of casual workers during slow periods, but were trying to give them enough hours that they stayed with the enterprise. The owner described the fluctuating pattern of hours worked by casual staff:

If I don’t give them the hours, then they’ll leave and then as soon as I’m busy, I’m in trouble and I’ve got to re-recruit and that costs money … I’m amazed that we haven’t lost people. Because some of the staff are getting as low as 12 to 14 hours a week and this is their [sole] job and earning $200 a week. I don’t know how they’re surviving. I’m grateful that they haven’t left … And last week was busy so they got hours, but this week it’s really quiet again, out of the blue.
The GFC had a less sustained, but nonetheless pronounced, effect on a licensed hotel/bistro operation in a small regional town. The downturn had considerably reduced the discretionary spend of the families that made up the bulk of the enterprise’s business. As in other hospitality enterprises, custom had declined considerably in the early months of 2009 and 2010, which they felt was partly due to the withdrawal of government allowances such as the $50 back-to-school allowance. The drop in trade had coincided with increases in costs to the business, including interest rate rises, and increases in liquor and transport costs, excise taxes, and wine equalisation taxes. The owners’ response was to engage in constant reviews of meal and beverage prices, particularly with regard to twice-yearly CPI increases. They were, however, reluctant to increase the price of drinks, given reduced discretionary income, and had responded to the last two liquor price increases by absorbing the cost increases, resulting in a drop in their percentage return on liquor. This was offset by a close focus on rostering staff with a view to reducing casual employees’ hours during quiet periods. The owners acknowledged that this led to increased pressure on remaining rostered staff who ‘have got to work harder’ with fewer staff.

A large registered club was the third of the hospitality enterprises to feel the effects of the GFC—albeit delayed until late 2009. Visitation numbers and the average spend of visitors had dropped considerably since December 2009 and managers attributed this to the characteristics of the local population. Tradespeople were the primary breadwinners in many local households and many had experienced a decline in business, and a reduction in disposable income.

In response, managers had reduced staff hours. Around 60 per cent of the workforce was made up of either casual or permanent part-timers. Under the Clubs awards (both former and modern awards) managers are able to vary the number and span of weekly hours worked by part-time workers. Thus employers have reduced the hours of both casual and part-time employees since December 2009, but were unable to reduce wage costs any further as they were down to ‘skeleton staff’. They explained:

In your main areas of the club we are down to bare minimum staff now … we actually think we’re almost at base camp for wages, we can’t go any lower without losing the level of service that you are offering to your customer.

These enterprises had responded to the drop in trade caused by the GFC by launching an increasing number of promotions to attract new customers or to encourage existing customers to spend more at their venues. In most cases, these took the form of discounted meals or specials, or offering special meal discounts for families. Many of these promotions were loss-leading in that they contributed to increased turnover, but did not increase profit.

The effect of the GFC had been relatively minimal for the remaining hospitality employers. The large licensed hotel and restaurant business in an inner-metropolitan location experienced no effects of the GFC. For them, revenue was affected more by whether local competitors were running promotions.

The licensed hotel/bistro in a regional centre experienced a minor drop in trade from the GFC. Bar patronage had declined over the period of the downturn, but it had been steadily reducing over many years regardless of the GFC. The decline in custom was due, in the owner’s view, to factors such as drink-driving laws, reduced discretionary income due to higher household debt, and the introduction of Sunday retail trading. The GFC was felt to have affected patronage in the enterprise’s restaurant as a result of local mining firms ‘tightening their belts’. The response of the owner was to review rostering, cut staff hours (while staff numbers remained steady), and work longer hours in the business himself, serving customers. Like the hospitality employers described above, the owner felt unable to cut wage costs any further, unless he was to further increase his hours behind the bar. And for the second registered club in the study, located in the same regional centre, there had been little noticeable effect of the GFC. Recent large-scale renovations had resulted in an increase in club customers, many of whom were employed by local mining operations which had bounced back from the GFC.
Both of these employers were located in a regional centre in close proximity to several large mines and high-revenue agriculture and livestock farming, which have recently had several good seasons. Both enterprises were relatively buffered from the GFC as their customers worked in these sectors, and neither had experienced a loss of staff to the mines due to the characteristics of the staff they chose to work for them—primarily university students and older workers in their sixties who were less likely to seek mining jobs.

### 2.4.2 Costs and labour cost management

Hospitality employers described how the cost of inputs—particularly liquor, transport, and food costs—were subject to regular increases and that increases had reduced margins significantly since mid-2008. For one registered club, this played out in its bistro running at a loss, given difficulties keeping unit costs low. In general, the response of licensed hotel and registered club employers was to add input cost increases to percentage CPI price increases when adjusting the price of meals or drinks on a once or twice-yearly basis (to coincide with the announcement of CPI figures), or when seasonal menus were changed at thrice-yearly or quarterly intervals.

By far the most pressing element of costs for hospitality employers was labour costs. Across the board, enterprises sought to keep labour costs low through careful rostering. This involved minimising the number of rostered hours that attracted penalty rates, and more commonly, by managing hours across different categories of workers (full-timers, part-timers, flexible part-timers in the Clubs sector, and casuals).

An alternative strategy was pursued by a large hotel and restaurant enterprise. In the past, they had faced labour costs that were higher than industry benchmark levels. They identified a need to eliminate unworked time during shifts and thus implemented a biometric time and attendance system whereby employees used fingerprint identification to log on and off when arriving at and leaving work. The system also managed payroll, reducing the need for manual data entry and management of time sheets, and provided weekly calculations of the amount of time not worked due to lateness. Staff are not paid for time not worked, and managers use the data on lateness to manage staff performance. The implementation of the system has included intensive training for managers and all staff on using the data for labour tracking. Staff are given access to revenue and labour cost figures and the daily labour cost percentages that they are required to meet. This has resulted in all staff being conscious of the need to meet targets. A manager described this:

> Not only the management, but the casual staff know. Like they will walk in and go, “Well we are meant to be 28 per cent [labour cost to revenue]. After last night's shifts we are at 30 [per cent].” And the casual staff, if we are quiet, after two hours, they will actually come to us and say, “Can we go home now?” rather than us waiting for three hours or for a manager to notice. The managers are more on the ball about it as well.

The ability to resource such a system is undoubtedly a function of the size of this enterprise, and with a workforce of over 400 across the organisation, the economies of scale of investing in such a system are evident. In the first six months of its operation, the system produced labour cost savings of $100,000 at the case study enterprise.

For the inner city restaurant, and a licensed hotel/bistro, owners sought to avoid increased labour costs by minimising the number of hours they operated that attracted penalty rates. The owners of both enterprises stated a desire to open their businesses on Sundays, but had assessed that it was not viable to do so given penalty rates that doubled or tripled standard hourly rates. The licensed hotel owner described the costs involved:

> I would love to open Sundays, but penalty rates kill me, kill me, because you can trial it for so long and if it’s not working, your penalty rates just keep eating away at you … I’d happily open up my restaurant on Sundays if I could be assured it wasn’t going to get eaten up with wages and everything else. You’ve got to be willing to open up for six to eight weeks to start with to make sure it’s going to work … So once you do six to eight weeks it’s like paying ten to twelve weeks [worth of costs], once you start paying the penalty rates.
2.4.3 The impact of minimum wage increases

Hospitality enterprises varied in terms of the extent to which a minimum wages increase impacted on their businesses. Past and anticipated responses to wage increases included passing on wage costs to customers in the form of price increases, reviewing rostering to cut staff hours, and changing the employment of status of staff from casual to permanent in order to reduce base pay rates. Employers’ primary response to increases in wages through minimum wage decisions was to reconfigure rosters. For some employers, the perceived impact was linked to the amount of increase in minimum wages. For four of the six employers, minimum wages increases had only minimal impact on their business in comparison to other pressures. This compared with a licensed hotel/bistro in a small regional town whose owners stated that ‘larger’ increases had an impact on business. They would not, in the current environment, consider passing on the costs of a wage increase to customers due to the risk of a backlash. Their response to an increase in wages centred on re-examining the rostering of staff and cutting costs trimming the hours of mainly casual staff:

Every time you have an increase or a change, and you see it, because I’m doing the wages every fortnight … straight away you go and have a look at what your rosters are the following fortnight and how you can pull some of that back. And realistically it’s the casuals that end up getting pulled back. … It’s just another input cost which you review … it’s like any other input factor that increases. We review and resize. And you may not make any difference up or down. But you use it as an opportunity.

Likewise, managers from the large hotel/bistro chain considered labour costs to be the most important of inputs in terms of the scope for managing costs. For them, a large increase in the minimum wage—one that was ‘more than what it has been the past’—would have a marked effect on their business and would again result principally in a reduction in staff hours, and tighter rostering. Alternative strategies might include offsetting an increase in labour costs by passing cost increases on to customers in food and beverage prices, reducing the hours of operation of the business to reduce staff hours and replacing adult staff with juniors. Minimum wage rises had the greatest impact on casual wage costs. This enterprise was the only hospitality enterprise in the study where managers budgeted for and costed a minimum wages increase as part of planning processes. In other enterprises, managers waited until an increase had been announced, and then reviewed and adjusted rosters to cut costs, or factored wage increases into the next CPI-linked increase to prices.

The responses to wage increases of owners and managers for whom minimum wages increases did not have a pronounced effect were similar. In these case study enterprises, minimisation of wage costs was the main mechanism used by employers to adjust for changes in revenue. However, minimum wages increases were seen as only a minor element of the total wages bill. A small licensed hotel/bistro owner passed cost increases on to customers as part of the process of increasing prices in line with annual or twice-yearly CPI cost increases. This price-setting process required taking into consideration the range of cost increases that had occurred since the previous CPI announcement (for example pay, and the cost of products) and an assessment of how much of an increase customers would be willing pay, while maintaining the profitability of the business. This owner described how wage increases had little impact on the business in the past as they had resulted in only minimal increases to hourly rates: ‘And if you haven’t planned your business to be able to carry that, you shouldn’t be in business to start with.’ The owner felt that increases would, however, have more of an impact on the business if the level of increase was relatively high (for example $1–$2 per hour).

For the managers of the registered clubs, a minimum wages increase was expected to have little impact on business operations. However, the manager of a club stated that, when combined with an increase in late working penalties in the modern award due to be applied from July 1 2010, a minimum wages increase would have a more pronounced impact on business performance (although this had not been estimated in dollar
terms). Consistent with other hospitality employers, managers responded to wage increases by reviewing staffing and reducing the number of casual staff. Managers identified casual staff of longer tenure and offered them positions as permanent full-time employees (paid at a lower base hourly rate). Those employees for whom the hourly rate was important were more likely to decline the offer of permanent work, while those who sought stable weekly hours were happy to change.

Managers at a second registered club saw little scope for minimising wage costs to offset any potential minimum wages increase that occurred, as they had already cut the wages bill as much as possible. They had not passed on increases to customers in the past, and had not considered doing this if an increase occurred in 2010.

The owner of the final hospitality case study enterprise, an inner city restaurant, viewed minimum wages increases as having a relatively minor impact on business performance when compared with other external pressures. Whereas formerly the cost of food and beverage purchases had comprised the largest proportion of costs, wages were now the greatest cost component. However, when viewed through the prism of annual profit, and in combination with other pressures, wage increases had a more marked impact. He explained:

... the profit margin keeps getting shaved off. If everybody's wage goes up by $1.50, that in itself is not a big deal, but if my wages [costs] go up by $200 a week, that’s $10,000 a year. If last year I made $60,000 and this year I’m only making $50,000, there’s less and less ... by itself, it’s [the minimum wage increase] not an issue, but there are so many other contributing factors at the moment, that it does become an issue. Because it’s just another nail in the coffin to make it harder and harder to survive as a small business owner ... It’s only a matter of time until it’s the straw that broke the camel’s back ... when a pay rise goes through, it doesn’t seem like much on paper. Someone working a 48-hour week might get 15 bucks or 18 bucks. But by the time you pay the tax on it and the superannuation on it, you have to pay the PAYG, and that’s what makes the difference, when you don’t have it.

2.4.4 Employment pressures

The recruitment and retention of good staff, and the challenges associated with motivating, rostering and managing staff were seen as substantial pressures on hospitality businesses. Consistent with the experience of retail employers, an area of difficulty highlighted by most employers was the recruitment and retention of the ‘right’ staff, who were outgoing, with a positive attitude and good interpersonal and customer service skills. However, one positive effect of the GFC, according to the owner of an inner city restaurant, was that in the period since it began it had been less difficult to find staff, as other employers had shed labour.

Employers in a licensed hotel and registered club found that employing younger and junior employees presented problems in that some refused to work weekends and nights or showed little initiative and needed constant guidance in how to perform tasks. One manager commented, of younger workers, ‘I honestly believe that’s a generational thing, that they don’t really value the customer service part any more’. This had impacted in terms of increased training costs, as one-on-one training had to be conducted with each young employee. Managers at this enterprise were not sure whether this was a function of workers shifting from job to job (and needing training in how to perform tasks in new workplaces), or whether it was due to a change in the attitude or behaviour of younger workers. The fact that many younger workers are employed on a part-time or casual basis at the enterprise may encourage job-hopping and thus attract workers who have little experience and require ongoing training.

The response of both employers was to hire staff with ‘the right attitude’ from older age groups (26 or older in the case of the club, and in their fifties and sixties in the case of the licensed hotel), as older workers were seen to be more experienced and reliable. Managers then trained staff in customer service skills. A similar approach
was taken by managers at a second registered club. While these employers had no difficulty recruiting staff, as they received many approaches from jobseekers looking for work, they experienced problems finding staff with experience in the club industry. They recruited staff who had the right attitude, were happy and well-presented, and trained them in how to do the job.

A variety of employers described difficulties recruiting trained kitchen staff, particularly chefs. All but one of the hospitality employers in this study employed one or more apprentice chefs in their kitchens—in some cases as an explicit strategy for reducing labour costs—and thus it was necessary for them to employ chefs who could train apprentices. In light of a shortage of chefs, strategies used by employers to recruit them included offering overaward salaries (some at nearly double the award rate), or hiring a greater number of apprentice chefs and paying them overaward rates in order to retain them once they had completed their apprenticeship.

2.4.5 The impact of the transition to the modern award

Several employers expressed difficulty interpreting and applying hospitality sector awards—both the former and modern awards. The owners of a hotel/bistro anticipated little impact in the transition to the modern award. However, they bemoaned the complexity of the federal hospitality award that they operated under in terms of the difficulties experienced administering the pay and conditions of workers employed across a wide range of award classifications (including juniors, apprentices at various stages of their apprenticeships, and overaward staff) and employment categories (full time, part time, casual).

Managers in registered clubs also found the modern award difficult to understand and translate, and anticipated that transitioning to the new award would have an impact on their wages bill. In one club, this was due to late working shifts applying earlier in the modern award (for hours worked from 7pm, rather than 8pm in the former state award), which would affect a great number of staff. In addition, under the new Clubs Award, standard weekly work hours for full-time workers drop from 40 to 38 hours. A number of full-time staff worked 40 hours per week and did not want a reduction in pay, so management are paying those who wish to continue working 40 hours for 38 hours at normal pay plus two hours of overtime. The modern award also provides that full-time staff who are rostered to work five days over Saturday and Sunday are given five weeks’ annual leave rather than four, the standard in the past. However, permanent part-time rates have remained the same in the new award, and so managers are considering shifting some casual workers to permanent part-time positions to reduce hourly rates of pay. The reduction in minimum shift lengths on public holidays for casual staff from four to two hours was also felt to be of some benefit to the enterprise.

At a second club, managers were concerned about changes to the modern award from 2012, whereby employers will be required to give permanent part-timers set hours and a set roster. They saw this as ‘inflexible’ and anticipated that their most likely response will be to employ casuals instead of part-timers, to provide the enterprise with rostering flexibility.

For the hotel/bistro chain, the modern award was considered a key pressure on the business over the next 12 months and will influence decisions around training of staff. The pay rate for the classification under which the majority of employees falls is lower in the modern award by a small amount per hour. Managers’ response has been to commit to paying the higher (former award) rate, given an expectation that there will be a minimum wages increase, which will raise the modern award rate to the level of the current paid rate. In terms of the effect on training programs, under the modern award, employees who have completed a Certificate III traineeship are required to be paid at grade four of the award.
Up until recently, this enterprise had employed a high proportion of trainees and had trained them to grade two level. The increased award rate for Certificate III qualified workers was an impediment to the company training staff to this level. A manager described the level of increase to labour costs as ‘substantial … 250 employees at $1.50 an hour [extra], over 20 hours a day’. The increased hourly rates for trained staff meant that ‘for us as a business it’s not worth us giving them [employees] a formal qualification’. The company would instead provide staff with an internally-recognised qualification. These provisions were currently being negotiated by unions and employer bodies and clarification was due in June 2010. Until it is clarified, all traineeships at the company have been placed on hold.

2.4.6 The impact of regulation

The impact of other regulation was seen as a burden on business by several employers. Given the highly regulated nature of the sector, compliance with a range of regulations was resource intensive. Hotel owners cited as examples a long-running workers compensation case, and long-running employee superannuation issues that run for six months and require handling by contracted accountants. In addition, any potential increase to superannuation (as foreshadowed in the Henry report15) would be passed on to consumers in the form of price increases ‘and the dearer your product gets, the harder it is to compete’. Managers in a registered club echoed these complaints, noting that the cost of compliance with legislation was increasing. The requirement of multiple government departments that employers be well-versed in a broad sweep of current legislation had led to steep increases in consultancy fees, described by managers:

Workplace health and safety, fire, noise restriction, you have just got a mass of things. We now permanently hire a liquor licensing consultant and our training organisation that we use also helps us with compliance matters, so we’ve basically got two major consultants here for us.

Volatility in the gaming sector was an issue for many enterprises. All three licensed hotel/bistro enterprises had structured their operations so that their bar and bistro functions were the most profitable business functions and their enterprises would survive in the absence of gaming machine revenue. Nonetheless, gaming revenue was a substantial income stream for one employer and so regulations around gaming acted as a pressure on the business. The state government was in the process of optioning gaming machines and there was uncertainty about whether the enterprise could continue operating them.

In addition, smoking bans, regulated withdrawals of $200 maximums and reduced maximum bets on poker machines all affected gaming revenue. Within registered clubs it was also anticipated that forecast increases in gaming tax will reduce their level of surplus.

Similar to the sentiments expressed by employers in the manufacturing sector, payroll tax was a major cause of dissatisfaction for the owner of the inner city restaurant. The business was paying debts and attempting to break even, while paying back payroll tax from previous years. Payroll tax was described as ‘a fine for employing people, essentially’ that ate into margins:

We’re in an industry where, if we’re extremely lucky and we’re doing very well, we’re making 10 per cent profit. And then anything over half a million dollars, the payroll tax, so they’re charging me an extra 10 per cent anyway. So it just keeps getting harder and harder to actually make anything because of the money you’ve got to keep paying out.

2.4.7 Competition for custom

The three hospitality enterprises that had bottle shops attached to their operations faced similar pressures to those felt by retail enterprises with regard to competition from local liquor stores run by large retail chains. The enterprises could not compete with the heavily discounted liquor prices they offered. In response, they adopted strategies such as becoming part of a buying chain to achieve price advantages from volume buying, and planning a new development, including bottle stores which are differentiated from local competitors by selling takeaway food.

Two hospitality enterprises in regional centres also faced competition from a substantial number of local hotels owned by the chains that ran the large liquor outlets. These hotels had been bought by the chains so that they could move into the retail liquor market, as each hotel is entitled to three detached bottle shops. Once again, these hotels were felt to have an advantage over single-site operators due to the economies of scale attached to ownership by a large company.
3 Employment practices

Key findings

Employers’ internal capacity to understand and interpret the frameworks guiding employment practice and wage-setting influenced the type of employment practices used within enterprises. Enterprise owners and managers varied in their knowledge of employment frameworks and systems, and those in larger enterprises with access to human resources functions tended to adopt more sophisticated labour deployment strategies. Those in smaller enterprises with limited access to information were more likely to use their discretion in making decisions around labour strategies, as opposed to acting with reference to industrial instruments or advice from bodies such as peak employer federations.

Employer philosophy was an equally decisive influence on the choices made with regard to labour strategies. Some employment practices were deployed as ongoing business strategies, shaped by case study employers’ philosophy, but with a central goal of increasing profits. In other words, cost-saving labour strategies were used in enterprises that had healthy profit margins, as well as those with tight margins. Employer philosophies played out in terms of whether employers prioritised workforce stability or flexibility, and whether they pursued strategies aimed at product/service quality or cost minimisation.

A variety of categories of employee were deployed in different ways across the case study sites. They included workers who were casual, permanent, full time, part time, juniors, apprentices, and trainees. In terms of the latter group of largely younger workers, juniors and trainees were employed by retail and hospitality employers, and apprentices were found in hospitality and manufacturing sites. Apprentices were valued by employers as they allowed employers to fill skills shortages for a relatively low cost. Juniors and trainees, likewise, were seen as a relatively inexpensive source of labour, despite difficulties described by managers with regard to managing younger workers.

The case studies reflected the diversity of strategies used by employers in configuring the workforce according to a range of categories of employment. Retail and hospitality employers used a diverse range of configurations based on a core of full-time workers supplemented by permanent part-time or casual employees. A variety of arrangements existed in terms of the mix of full-time and part-time permanent employees in community services enterprises. Few casual staff were employed in these sites as continuity of care was a priority. In manufacturing enterprises, staff were primarily employed on a full-time permanent basis. Employer strategy in relation to managing categories of employment was determined by the relative importance of retaining staff given a shortage of skilled or quality labour, or the importance of providing a quality service or product, or quality care. When this was a priority, employers offered permanent full-time employment.

A central concern of employers in the study was to reduce labour costs to the lowest level possible, albeit not to a level that would impact negatively on the quality of customer service or goods manufactured, or the level of care provided. Employers minimised labour costs by managing flows and categories of staff throughout the hours of the day or days of the week, so as to keep hourly and weekly wage costs at a minimum. The amount paid to employees as base hourly rates was determined by where employees sat on the award classification scale and the amount of overaward payment paid to certain employees. Rostering practices were linked to the enterprises’ hours of operation and they determined whether or not employees’ base rates were supplemented with overtime or penalty rates/loadings for working unsociable hours. As a general rule, employers rostered staff so as to minimise the amount of labour costs paid in penalty rates or any form of payment on top of base rates.
Lean rostering was the principal means by which labour costs were minimised in hospitality and retail enterprises participating in the study. This involved practices such as reducing the total number of hours worked by staff, using casuals to facilitate cutting short the shifts of employees during quiet times, and managing the mix of categories of staff in order to avoid paying overtime payments. However, employee preferences for longer working hours were found to lead to high turnover among those employees subject to lean rostering practices.

Overaward payments: Employers paid overaward payments in 12 of the 20 case study enterprises. Overaward rates were paid in recognition of two main employment imperatives: recruiting skilled staff in short supply whose market value exceeded that of the relevant award, or retaining and rewarding staff in low-paid positions who brought value to the enterprise. Overaward payments were used by employers to provide them with greater flexibility to roster staff across unsociable hours. Four main types of overaward payments were evident, and included:

- a universal loaded hourly rate that rolled in penalty rates;\(^\text{16}\)
- small discretionary overawards paid on top of base rates to workers in recognition of the low wages and to encourage retention and recognise performance (primarily in manufacturing but evident in a small number of enterprises across most sectors);
- salaries paid to employees in areas of skills shortage (for e.g. chefs, butchers, and hospitality supervisors and managers); and
- structured overawards paid to allied health professionals, some supervisory staff, and managers in community services organisations.

Award classification scales: While most case study employers designated or appointed employees at levels on award classification scales with reference to employees' experience, qualifications, length of service or other criteria set out in awards, there was evidence that other employers appointed staff on scales solely with reference to the rate attached to scales. In such cases, employers appointed employees on the basis of a rate on the scale that they thought was fair, rather than at a level on the scale that reflected employees’ experience or qualifications. Such practices may lead to employees being incorrectly classified.

Labour cost management: In the hospitality case study enterprises, labour costs had decreased or remained steady over the previous 18 months. This was due to the introduction of new time management/rostering systems, changes to rosters, reductions in staff numbers, and hiring apprentices in place of fully qualified staff. In manufacturing case study enterprises, labour costs were relatively stable or had decreased due to a reduction in overtime payments. They had increased in community services enterprises in which recruitment difficulties led to use of agency staff or required that higher salaries were paid to attract new staff. For many retailers, labour costs had remained steady due to lean rostering practices designed to maintain costs at externally benchmarked levels.

Productivity was not formally measured by employers in this study. Instead, owner-managers of small sites informally checked on how efficiently staff worked while on the job. Hospitality employers equated productivity with quality of customer service. Community services employers described how productivity was maintained through workload intensification among direct care staff. In manufacturing enterprises, productivity levels were largely determined by the substitution of labour with capital, the extent to which existing capital was

\(^{16}\) This was a loaded hourly rate paid for all hours worked. Late work penalties were rolled into the hourly rate at an amount based on late work penalty provisions in the modern award. Employees all received the same loaded hourly rate whether working days, evenings or nights. The employer stated that the rate, taking into consideration the rolled in penalty rates, was above what the award provided for.
used efficiently and production flows. Retail employers managed productivity by observing employees as they worked. Where employees' performance was deemed inadequate, employers took steps to increase employees' productivity, or terminated their employment. Multiskilling of staff was used by hospitality and manufacturing employers to increase productivity by enabling them to deploy staff across departments.

Industrial instruments: Employers had considered employing staff on certified agreements in community services enterprises (where they planned to negotiate agreements) and in retail (where one employer had unsuccessfully attempted to develop an agreement). Trade unions had pursued certified agreements in hospitality and manufacturing sites, but these had not come to fruition.

The previous section of Part 1 outlined the context within which the case study enterprises operate and profiled a range of strategies developed by employers in response to pressures on the enterprise. In responding to pressures, employers largely reacted by using strategies that were embedded in current practice in their organisations. In other words, the way they responded to the pressures that arose was consistent with and shaped by organisational practice. This section will examine employer strategies at the worksite level in the round, with reference to the range of external and intra-organisational factors that shape these practices. Such factors include economic and industry conditions, local labour market conditions, the size of the enterprise, industrial arrangements, and employer capacity and philosophy. The focus then shifts to discussion of employment practices relating to managing categories of employment, rostering hours of work, wage setting and labour cost management.

3.1 Employer capacity

The case study enterprises varied in terms of their internal capacity to adopt different labour strategies. This was a function of, firstly, owners or managers’ knowledge of the frameworks guiding employment practice and wage-setting practice (such as labour market institutions, wage-setting practices, and instruments such as awards); and secondly, employers’ access to the internal and external support needed to understand and implement employment practices and labour standards.

The case study enterprises could be delineated into three main groups based upon their capacity to understand and interpret the frameworks guiding employment practice and wage-setting. They included:

- large organisations with internal corporate capacity, including a human resources manager/function;
- enterprises with an internal administrative structure which includes a dedicated payroll function; and
- enterprises in which owner-managers deal with payroll as part of overall responsibilities, or outsource the payroll function to external experts.

In the main, owner-managers in smaller organisations had less knowledge of labour management issues than managers in larger organisations, and less time to devote to employment matters. Larger enterprises had specialist internal capacity which allowed them to concentrate resources on developing and implementing more sophisticated strategies for deploying or developing labour.
Employer peak bodies played an important role in shaping employers’ knowledge and practice of employment strategies. They provided updates on employment-related legislation and were a source of advice for smaller enterprises with limited internal capacity. Some of the smaller enterprises in the study were not members of employer bodies. In some, owners had considered joining local employer organisations such as chambers of commerce specifically for advice on employment matters, but had baulked at the fees required to join. These organisations were more likely to make use of advice from employment-related telephone helplines or websites administered by government departments as a guide to employment practices. Some owners and managers in smaller enterprises had little knowledge of the instrument or award which applied to their employees, but were nonetheless proficient in using award provisions so as to minimise wage costs—for example through the use of rostering practices that minimised the payment of loadings and penalty payments. Such practices are described in detail throughout this section.

3.2 Employer philosophy

The decisions made by employers in this study around employment strategies were often influenced by the individual philosophies of key owners or managers. While the pressures, constraints and opportunities experienced by employers were often delineated along sectoral or sub-sectoral lines, employer philosophies reflected the views and actions of individual employers and there was no discernible sectoral pattern. Attitudes regarding, and adherence to, enforceable employment standards varied, as did the level of discretion that employers used within that framework. Employer philosophy was reflected in the choices that employers made within the constraints of external pressures and within the context of available internal resources.

Employers’ philosophies manifested in terms of their decisions about the shape and nature of the workforce. Some employers, for example, were comfortable with a workforce that turned over frequently, while others focused on retaining staff. Employer philosophy also influenced decisions about the configuration of the workforce in terms of categories of employment—for example, whether the workforce would be majority casual or permanent, with regular weekly hours of work, or variable hours.

Employer philosophy was one of many influences on employment practices alongside pressures flowing from the operating context of enterprises and employer capacity. Employers described a range of tensions that played out in decisions about employment matters. These included tensions between:

- workforce stability and workforce flexibility;
- product and/or service quality versus cost constraints; and
- employer strategy versus employee preferences.

Tensions between workforce stability and flexibility were reflected in issues around hours of work and the strategies pursued by some employers to minimise costs by structuring the workforce within categories of employment that allowed a high degree of numerical flexibility (most notably casual staff and short-hours permanent part-timers). In contrast, employers who stated a need for stable workforces favoured permanent employment arrangements. For these employers, business value was reflected in service or product quality, rather than savings in labour costs, and in some, maintaining product or service quality was essential to their sustainability as a business. By retaining good employees, these employers had greater control over the quality of the service or product they provided.
Yet the notion of ‘quality’ varied across enterprises. For some employers, a quality product or service required skilled staff. For others, quality was determined by other elements of the business mix or business strategies, including: the position of the enterprise within a market niche; the range and type of goods produced or stocked; the technology used to produce outputs; or, in certain hospitality enterprises, the quality of the surroundings or physical environment, as experienced by patrons. A manufacturing enterprise provided an example of a firm that had recently made a major investment in new production equipment, yet the owners did not intend to increase employee numbers because of the difficulties involved in managing staff. An owner stated:

Being perfectly honest that’s not what we’re about, wanting to employ more people. Because anyone in business will tell you that probably the hardest thing about in being in business is managing staff. So having more employees probably equates to most business owners as having more headaches. But you know, we employed the people we need to do the job.

Many employers found that attracting skilled or quality staff required providing better quality jobs. Examples included chefs and community services employees. Employers sought to attract these employees by providing overaward payments or sought-after non-wage conditions and benefits. Employers in some enterprises emphasised the importance to the business of having a stable workforce (given the costs of recruiting and training new staff), yet many of these employed significant numbers of casual or part-time workers who were paid rates at the bottom of award classification scales. In some enterprises, a lack of jobs in the local area and the tightness of profit margins meant that jobs remained low paid and on award rates, and provided fewer hours of work than employees desired, while employer expectations of staff remained relatively high. The manager of an enterprise in a small regional town which was a key employer in the town, and which employed mainly permanent part-time workers, described the context of employment in the local area:

We have had difficulty over the years … in having adequate staff. Because of economic forces … all of these staff are female and most of them are in need I’d say of a job … I’d say that most of them here, while they’re happy, they don’t have a choice. Now that doesn’t mean I want to lock them in and treat them poorly. But I recognise their circumstances …

Comparison of employee and employer interview data exposed many examples of the tensions between employer strategy and employee preferences. This played out in terms of the amount and configuration of hours worked, categories of employment, and wages.

What follows is an analysis of three central and interlinked elements of employment strategy within the case study enterprises: the use of categories of employment, rostering of staff, and wage-setting practices.

3.3 The structure of the workforce: categories of employment

Employers used a variety of strategies for structuring employment categories within their enterprises. This section will focus on the following categories of employees:

- Employees on permanent employment contracts (those able to access paid annual leave and paid personal or carers leave) were seen by employers as having more commitment to the organisation, providing stability (leading to improved service or product quality) and reliable coverage of work hours.

- Casual staff (those without access to paid or personal leave, who were paid a casual loading on top of a standard hourly rate of pay) were viewed by employers as more flexible, less loyal, easier to hire and fire, and less expensive to employ (due to increased temporal flexibility stemming from short-hours working). This group of employees were primarily deployed in the retail and hospitality sectors.
• Apprentices were seen by employers as relatively inexpensive to hire, able to work long hours and do the work of skilled employees when these staff were absent, and a solution to problems around recruiting qualified staff in areas of skills shortages (for example, in the printing trades, or chefs). Apprentices were largely present in hospitality enterprises, a number of which employed a mix of apprentices at different stages in their apprenticeships to ensure continuity of staff in areas of labour shortage.

• Juniors and school-based trainees: those employees defined as juniors under awards (aged 20 or younger) were regarded by employers as cheap to employ. However, employers were restricted in terms of how much responsibility these workers can be given, for example, through award provisions prohibiting juniors from serving alcohol. Junior employees were mostly used in retail enterprises, and some hospitality enterprises employed large numbers of school-based trainees.

3.3.1 Use of junior employees and school-based trainees

Some retail businesses were particularly reliant on junior employees. Almost all employees of the fast food and the specialty goods retail enterprise were juniors. In the fast food retailer, junior staff were hired as high school students or recent school leavers, and were given more responsibility as they got older. Most left the enterprise by the age of 21, to be replaced by new high-school-aged junior staff. The specialty goods retailer had an active policy of hiring juniors on casual contracts because they cost less to employ:

The work is so labour intensive that it’s just too expensive to employ seniors for the kind of work that we do … I could be paying you on $20.00 an hour to do that, or I could be paying someone equally as competent who’s say 19 and I could be paying them $12.00 to do that.

In addition, all but one of the hospitality employers in the study employed school-based trainees. Employers in two enterprises, each of which employed large numbers of trainees, held differing views as to the relative merits of employing this category of employee. Managers at one enterprise were disappointed with the calibre of the trainees employed and noted that the large number of trainees resulted in an imbalance in the staffing mix: they now had a disproportionate number of young, inexperienced, permanent part-time workers. One of the managers explained:

It’s just so much effort and time involved with them and if they don’t complete it [the traineeship] and they’re slack and lazy, I’ve then got to prove to the government why I think it should be cancelled … And what we’ve found is the ones that are offered this school-based traineeship probably aren’t the ones that really want to do hospitality, it’s just them getting a day off school … And out of the 30-odd that we’ve had in the last couple of years we would only pick two or three that we would hire, that we would rate as really good employees.

This contrasted with the experience of a second hospitality employer who employed trainees as casual employees in the first instance, and subsequently offered the best employees traineeships. Trainees were employed on a separate certified agreement which enabled the organisation to roster them flexibly on pay rates that are above the award trainees’ rate, but the equivalent to award casual rates. The advantages of this traineeship program for the organisation was that employees across the enterprise received consistent training, allowing managers to deploy them across multiple sites if necessary, and enabling greater career mobility within the enterprise. However, this traineeships program is in hiatus due to potential changes around rates of pay for trained staff in the modern award (as discussed in section 2.4.5).

17 Trainees are required to be employed on a permanent basis during the duration of their traineeship. Managers at this enterprise employ trainees on a permanent part-time basis for up to four years if trainees complete their schooling without having completed the requisite number of work hours required to complete the traineeship.
3.3.2 The configuration of employment categories in retail and hospitality

When examined by industry sector, employers in the retail and hospitality sectors employed similar strategies around employment categories. In both sectors, a core/periphery model of labour use predominated, whereby a core of permanent workers was supplemented by a peripheral group of contingent—largely casual—workers. However, the proportion of employees within each of the core and the peripheral groups varied, and three models of the core/periphery model were discernible among hospitality and retail employers.

The proportions of each were determined by the following factors:

- the hours of operation of the business;
- the nature of the business’s offering, in terms of the quality of service offered to the customer;
- the levels at which award rates were set for casual and permanent staff;
- the occupational composition of the workforce and the number of employees in the enterprise;
- employers’ calculation of which ‘mix’ of permanent and casual employees would bring the lowest costs; and
- employer preferences for particular categories of worker.

The first and largest group were those employers with majority casual workforces. This group included all retail employers, a large licensed hotel/restaurant enterprise, and a medium-sized registered club. In the hospitality enterprises, most casual employees were paid a higher hourly rate than the standard hourly rate paid to permanent staff, due to the addition of the casual loading (although base hourly rates for permanent staff were supplemented through late working and other penalty rates where these applied).

In retail, many junior casual workers were employed on low pay rates.

Employers in both sectors considered casual workers to be less costly to employ than permanent workers. This was because casual staff provided employers with greater flexibility to adjust staffing to match fluctuations in customer demand by, for example, cutting shifts short or rostering staff at short notice. Employers in most enterprises hired supervisory staff and some longer-term or valued floor staff on a permanent full-time basis in order to retain them. They made savings by rostering casuals during weekends in order to avoid paying overtime rates to permanent staff. Managers at a large hospitality enterprise described the benefits of the permanent/casual, core/periphery employee configuration:

Permanence is consistency and responsibility. It’s like your foundation, it’s the full-time reserve. It’s the core … having that group of full-timers as the base or the core, and then the casuals working around them, just to fill in the holes for casual shifts, that works well.

Retail employers preferred hiring staff on a casual basis as it allowed them to trial new staff members and roster staff off permanently when reductions in staff numbers were necessary. One employer had decided to no longer employ permanent workers in the business for the following reasons:

Too hard, they’re a pain in the neck, I’m not going to do it. They perform well for three months, they drop off, too hard to get rid of them, too detrimental for the business to keep them, so [all new staff] are casual and if I don’t have hours I don’t have hours, then they just go.
Retail employers in this group described how retail employees preferred full-time permanent work as it provided stable hours of work, and one acknowledged that often the only way to retain good staff was to offer them a permanent position. However, all retail enterprises employed full-time permanent staff only where this was absolutely necessary—for example to fill lower level management or supervisory positions. They viewed casual workers as a cheaper option due to their flexibility and because they carried with them no fixed costs such as annual leave and personal leave. However, this was not an issue for a hospitality employer in this category. He was looking to shift increasing numbers of full-time casuals into full-time permanent positions, as the latter were paid a lower hourly rate of pay than casual staff due to the casual loading on hourly rates.

A second category comprised enterprises with a majority permanent workforce. This included a large registered club and a small licensed hotel/restaurant in which large proportions of the permanent workforce were part-time workers. Owners and managers in these enterprises chose to employ a majority of permanent employees because their hourly rate of pay was lower than the casual rate of pay. For the hotel owner, workforce stability was important given the high costs resulting from labour turnover, and his priority was to provide regular weekly hours of work for his largely permanent part-time workforce. In the case of the registered club, where hours of operation involved late night working, permanent full-time and part-time employees were paid a flat hourly rate that rolled in any associated shift penalties for all rostered hours worked. This rate was also lower than the casual rate of pay. Although the lower permanent hourly rate is offset by increased costs in the form of paid annual and personal leave, neither employer raised this as an issue. The preference of these employers was to roster permanent staff across as many hours as possible and only roster casuals where it was absolutely necessary, for example during peak periods.

A third and final category of enterprise were those in which near-equal proportions of casual and permanent workers were employed. This category was occupied by two small hospitality employers: an inner city restaurant, and a licensed hotel/bistro in a regional town. In both, key staff members—such as chefs, bar managers and restaurant managers—were employed in permanent full-time positions and worked regular weekly hours. Having a stable core of key staff members was seen as crucial to providing a quality service to customers. These staff were employed in a full-time, permanent capacity as a means of retaining them, as they were considered ‘hard-to-find’ employees. This core of employees was supplemented with casual floor (waiting) and bar staff whose numbers were adjusted to meet fluctuations in demand. Casual staff worked nights and weekends and replaced full-time staff when they were not able to work. The smaller size of these operations may have been a factor influencing the ratio of staff within permanent and casual employment categories. In other words, the base of key staff members (chef, bar manager etc.) may have been of similar size in a much larger organisation, but supplemented by a proportionately larger group of casual or part-time floor staff (as in some of the larger hospitality enterprises described in the first two categories).

Tensions between employer strategy and employee preferences were most evident when looking at categories of employment. Employers in the retail and hospitality sectors noted that while it was cost-effective for them to employ large proportions of casual employees, most employees sought permanent full-time roles with regular weekly hours of work. This emerged as a prevailing theme in interviews with employees as well. One retail employer who employed a largely casual workforce described how employees who approached him for work and many of those who worked at the enterprise preferred full-time permanent jobs. However, he did not employ full-time staff because this impeded scheduling flexibility, most notably the ability to hire and fire staff. He explained, ‘…if we were carrying one staff too many, you don’t know until later on. Then it’s very hard to put them off [terminate their employment]’.
3.3.3 Categories of employment in community services and manufacturing enterprises

In community services and manufacturing enterprises, the majority of staff were employed in permanent positions. In manufacturing enterprises, most staff were permanent full-time employees. This configuration reflected the enterprises’ Monday-to-Friday, 9 am to 5 pm operational hours. The very small proportion of casuals employed in manufacturing enterprises performed specific roles such as binding (in the printing enterprise) or packing goods. In the food manufacturing enterprise, five of 11 production staff were employed on a casual basis (in the packing section). However, managers attempted to limit casual work hours by allocating additional packing work to the six permanent production staff whose hours of work were regulated by the enterprise’s banked hours system, when these workers needed to fill their quota of weekly hours.

The clothing manufacturer offered all of its employees permanent positions with stable full-time hours. The owner described how this approach was used in recognition of the fact that employees would not be able to live on the wages paid if they were working part-time hours. Full-time permanent jobs were offered as a means of retaining staff, as the manager appreciated that full-time jobs were highly sought after by employees.

In the community services sector, casual staff were relatively rare. Two case study enterprise sites (childcare and employment services) employed a small number of casual staff. The remainder of enterprises employed a mix of full-time and part-time employees on a permanent basis and supplemented with casual staff, particularly where shiftwork was involved. Those enterprises that operated on a predominantly Monday-to-Friday daytime basis employed a majority of staff on a full-time permanent basis.

For those services characterised by shiftwork, or short or disjointed hours (such as home care), the preference of employers was to employ permanent part-time staff, in order to retain a stable workforce and maintain continuity of care and quality of service. However, the insecure nature of funding and the lengthy hours of operation of some services meant that casual and agency staff were also used to fill shifts. There was a strong preference among managers in the sector to avoid using casual workers including labour hire staff, which added significantly to the labour costs of organisations. A stable workforce was needed in order to provide continuity of personnel for service users. Casual staff were seen as having less commitment to the job, and as being more likely to leave the job after only a short time. It also appears that part-time staff provided a fair degree of numerical flexibility by covering leave vacancies and shift shortfalls. This further reduced organisational reliance on casual workers.

The majority of staff employed by aged care and childcare service enterprises were employed on a permanent part-time basis. This enabled the childcare centre operator to adjust staff levels to match fluctuations in the number of children in the centre. Part-time staff were able to leave at various times after 3 pm, depending on when parents came to collect their children. Staff-to-child ratios were legally prescribed and so staff would wait for children to leave before they left for the day. In the aged care facility, staff were employed on a part-time basis. This provided the operator with flexibility to cover peak shift periods (for example, meal times) and reduced reliance on casual staff.

In another two community services sites, which operated during weekday daytime hours, the majority of staff at the worksites visited by researchers were employed on a full-time permanent basis. At one site, however, half of these staff were employed on fixed-term contracts, reflecting the short-term nature of funding contracts in the sector.
At a disability services worksite, part and full-time permanent staff were employed in equal proportions. This configuration reflected the services provided by the enterprise, the 24-hour span of operation, and rostering of staff over multiple shifts. Part-time staff were principally employed to work in residential housing operations where shiftwork and sleepovers were common, although there was also the need for casual and agency staff to fill shortfalls in the rosters.

3.4 Rostering practices and the management of work hours

The main imperative driving rostering practices in most enterprises was the need to minimise wage costs. This was manifested in variations in the ‘mix’ and configuration of staff in each sector, as described in terms of categories of employment in the previous section. The management of rosters and the patterns used were primarily determined by the hours of operation of the enterprise, with lean rostering practices used by employers across all sectors excluding manufacturing.

In manufacturing, rostering practices were primarily linked to the businesses’ hours of operation. Two of the operations in this study closed early on Fridays (at 11am or 2pm). This allowed for extra overtime hours to be worked if production demands required it. In addition, three of four manufacturing employers allowed flexible working hours (within the scope of a 38-hour week) for staff who had family or caring responsibilities. In the food manufacturing enterprise, managers keep a close eye on the variable hours of work over which production takes place in order to manage the costs associated with that. They are able to avoid paying penalty and overtime rates through the use of a banked hours system, whereby full-time employees are paid for 38 hours of work per week. However employees’ actual weekly hours of work varied. Where less than 38 hours were worked in a week, the extra hours were ‘made up’ at a later date, when production increased.

In hospitality, managers minimised wage costs by altering the mix of casual and permanent staff and through lean rostering practices, using casual employees on short-hours contracts to provide numerical flexibility. Such practices included prohibiting permanent staff swapping weekend shifts with casuals (who were paid at a higher hourly rate), requiring casual staff to work with only limited notice, and sending casual workers home ‘the minute it gets quiet’.

The priority of a number of hospitality enterprises in managing wage costs was to avoid penalty rates. In one enterprise where the majority of staff on permanent part-time arrangements, all extra hours of work were spread among part-time workers rather than full-time workers, to avoid paying overtime rates to full-time workers who worked beyond a 38-hour week. Where enterprises remained open on public holidays and weekends, their owners/managers would take measures to avoid paying penalty rates. These included requiring permanent staff on standardised overaward rates to work a certain number of public holidays and weekends per month in order to avoid rostering casual staff (paid a higher hourly rate) on those days and the owners themselves working on those days.

Like hospitality employers, most retail employers used lean rostering practices. Full-time staff worked weekday daytime hours. Casual staff worked after-school hours, nights and weekends, enabling managers to call them into work at short notice and send them home if shifts were not busy. And like hospitality employers, retail owners/managers sought to avoid paying weekend penalty rates. Casual staff were rostered on weekends because the hourly rate paid to casual staff (particularly those on junior rates) was lower than that paid to full-time staff on weekend penalty rates.
3.4.1 The flipside of lean rostering: underemployment and unpaid hours

While most community services employers in the study delivered services that allowed them to employ staff on a permanent basis, employee preferences around hours was an issue in some. The nature of the services provided by one employer required rostering staff on a part-time basis. Employees would then find second jobs in order to top up their hours of work, and often the shift patterns would clash, or they would be paid more to work a shift for a second employer, resulting in them being absent from shifts at the case study enterprise. This would then cost the organisation in terms of having to pay a premium for agency staff to cover the shift. A manager explained:

So, for example, we would hire somebody on say a 22-hour contract for a week. They’re looking for more [paid work hours], so they go and get a second job in another service, and then the rosters conflict. And if they get a night shift penalty on that one, then they either pull a sick leave or they take unpaid leave. And that is a huge issue for us because then we have to in most cases get in agency staff at vastly inflated prices, because you can’t not have somebody [rostered].

The experience of this enterprise, and others in the study, highlights the flipside of lean rostering: underemployment of staff results in reduced staff loyalty and an inability to recruit and retain ‘good’ employees (given employee preferences for regular full-time hours of work and the practice of ‘shopping’ for the best shifts). This is exacerbated in organisations with complex rostering requirements such as the community services enterprise described above, whose manager explained that across the organisation:

‘We’ve got a very complicated pay system because we have shiftworkers, non-shiftworkers, a range of different sites and rosters, sleepover staff, casual staff, people who get overtime.’

Underemployment due to just-in-time staffing practices may lead to turnover if staff find alternative jobs that provide them with the hours they prefer. However, as described later in section 4.12, this may only be the case in competitive labour markets where employees have choices. For those employers across all four sectors whose offering was based on quality service or products, maintaining the stability and reliability of their workforce was paramount and labour turnover was an issue of considerable concern. For others, such as some retail employers, turnover was acknowledged to carry a cost to the organisation but was of little concern to owners/managers in spite of this. One manager described managing turnover among casual staff as less difficult than managing poor performance among permanent staff, and outlined his approach to staffing in the future: ‘I’m not employing anybody full-time or part-time. I would find it very difficult to believe that many businesses would employ full-time or part-time people anymore. Casual is the only way to go.’

The issue of workload management and unpaid hours emerged in a number of case study enterprises. In retail and hospitality operations, owner-managers increased their hours of work at the enterprise when staff cuts had been made; and full-time management, supervisory, or specialist staff (such as chefs) who were paid overaward salaries often worked well over their contracted weekly hours, uncompensated. Work intensification was seen as a problem in community services organisations, where it was common for direct care and management staff to work unpaid hours on a regular basis as a result of shortfalls in funding for services. In recognition of this, some employers in the sector had formalised entitlements to time-off-in-lieu, flexible hours (for carers or parents), or paid leave.

In one enterprise, managerial staff on overaward pay rates were contracted to work a 35-hour week, but were paid for 38 hours. This extra payment went some way towards compensating for the many unpaid hours they worked on a regular basis. Some staff members were paid overtime rates for a small number of the extra hours worked. Across the board, the enterprise had been attempting to cut overtime costs. Managers were compensated for long working hours through a range of non-pay benefits. These included an extra week of paid annual leave (on top of the legal minimum) per year, a week of paid leave after five years’ service, study leave and superannuation benefits in addition to the standard nine per cent employers’ contribution.
In some community services case study enterprises, employees worked on a voluntary or trainee basis prior to gaining permanent employment at the site. At one enterprise in which regular unpaid hours appear to be worked as a matter of course, an employee worked on a volunteer basis for seven months before securing paid shifts. Other enterprises made use of students who worked as part of a trainee placement in their organisations for a finite period in order to meet the requirements of vocational training courses. This provided some employers with a means of recruiting staff.

3.5 Wage-setting and wage determination

In seven of the 20 case study enterprise sites, all employees other than senior managers were paid on award rates. These sites included four employers in the retail sector and three community services employers. They were characterised by a heavy reliance on casual labour (in the case of the retail enterprises), or by small size, limited employer capacity, and in some cases, limited financial capacity (in the case of a community services enterprise and two retail employers). In the case of two large community services providers, all staff were on award rates, while managers’ wages were set through reference to external benchmarks such as not-for-profit sector salary surveys. Government contracts for services set funding for wages at the level of award rates, preventing employers from giving overaward payments.

In a number of sites where all or the majority of staff were paid award rates, employers offered a variety of rewards or ‘top-ups’, primarily as a means of retaining workers. In one manufacturing site, all staff received a ‘productivity bonus’ of $0.21 per hour worked. This resulted from an unsuccessful attempt to establish a productivity-based pay scheme 15 years earlier, although the payment continued to be paid as an ‘add-on’ to wages through an unregistered agreement. In other sites, staff received other discretionary payments such as one-off or Christmas bonuses (in the form of monetary payments or gifts).

In 13 enterprises in the study, varying proportions and categories of employees received overaward payments. Employer strategies around the use of these overaward payments are described in the following section. Later sections examine other aspects of wage-setting practice relating to the positioning of employees on award classification scales, employer strategies for minimising labour costs, employee productivity and its effect on wage costs, and the future of the award and use of alternative industrial instruments.

3.5.1 Use of overaward payments

According to employers, overaward rates were paid in recognition of two main employment imperatives: recruiting skilled staff in short supply whose market value exceeded that of the relevant award, or retaining and rewarding staff in low-paid positions who brought value to the enterprise. Overawards were also used by employers to provide them with greater flexibility to roster staff across unsociable hours.

A variety of arrangements and configurations existed in the 12 enterprises where some staff were paid award rates and others received overaward payments. In the main, they followed three models:

- Permanent staff paid overaward payments; casual staff paid award rates: examples include a registered club with a flat overaward hourly rate paid to permanent workers, which rolled in any associated shift penalties for all rostered hours worked and a manufacturing employer whose permanent full-time production workers are paid discretionary overaward hourly rates, while workers in packing jobs are paid casual rates.
• Supervisors and hard-to-recruit employees with specialist skills receive overaward payments; all other non-management staff paid award rates: this group includes all hospitality employers excluding the registered club described above, a youth and family community services provider, two (furnishings and clothing) manufacturing employers and a food retailer.

• All non-management staff paid overaward payments; apprentices on award rates: the print manufacturer was an example of this model.

In light of these models of payment structure, four discernible types of overaward payment were made to employees, the diversity of which will be examined in this section:

• an overaward of a flat hourly rate that rolled in any associated shift penalties for all rostered hours worked, but still provided for overtime loadings to be paid;

• small discretionary overawards on top of hourly base rates paid to workers in recognition of the low wages, or to encourage retention and recognise performance—these payments were used primarily in manufacturing but were evident in a small number of enterprises across most sectors;

• overaward salaries paid to employees in areas of skills shortage (e.g., chefs, butchers, and hospitality supervisors and managers); and

• structured overawards paid to allied health professionals and some supervisory staff and managers in community services organisations.

1. A flat hourly rate that rolled in penalty rates

This form of overaward payment was evident in hospitality and was paid to permanent full-time bar and gaming attendants.

Permanent staff—who comprised the majority of employees—were paid a standardised overaward hourly rate as compensation for working across a 17-hour span, including late night working (with night shifts finishing at 4.30 am). This was a universal standardised rate paid for all hours worked. Late work penalties were rolled into the hourly rate at an amount which complies with late work penalties in the modern award. Managers calculated the hourly wage rate by estimating the average award wage paid to staff working rotating day and night shifts and then adding a percentage amount on top of the average hourly rate. It was standard practice for clubs in the local area to add an averaged premium of 20 per cent to award rates to incorporate penalty allowances. In the event of a minimum wages increase, managers will recalculate the hourly rate. While part-timers and full-timers are paid the same hourly rate, full-timers are paid this as a salary. The primary rationale for this payment system is ease of payroll administration and, in part, staff retention. A manager noted of staff attitudes to the rate of pay:

You always get the gripes and I think even when they [employees] do go to the union, the union comes back and says, “You’re getting paid above award.” So that’s sort of kept them happy I guess to a degree. You will never keep them happy but at least they’re getting paid a little bit more than if they went somewhere else, they wouldn’t get paid as much.
2. Small discretionary overawards on top of hourly base rates, paid to workers in recognition of the wages, or to encourage retention and recognise performance (primarily in manufacturing but evident in a small number of enterprises across most sectors)

Manufacturing employers paid discretionary amounts of overaward payments to their staff for a range of reasons, and a variety of arrangements existed. In the printing operation, all staff are paid overaward payments (excluding apprentices). The amount of overaward payment is adjusted at intervals, and is set by company owners during regular reviews of employee pay rates, taking into account employee performance since the previous pay review. Increases in minimum wage rates are applied to the rates paid to staff: managers pay employees the new rate of pay in the award plus an overaward payment paid at the same ratio as prior to the increase. Staff are paid overaward payments to retain them in light of competition for staff from nearby mining operations and in recognition of long service. Similarly, apprentices at this enterprise were paid qualified tradespersons’ wages six months prior to the completion of their apprenticeship to encourage retention, and, in the words of the owners, ‘to show them that we’re fair dinkum’.

The recruitment and retention of employees was also the impetus for the clothing manufacturer to make overaward payments to skilled staff in scarce supply, such as qualified tailors who had served a four-year apprenticeship. In the furnishings manufacturing enterprise, leading hands were paid an overaward payment. This was in recognition of these workers’ length of service, their experience and the broad range of skills they possessed. The amount of overaward payment for each staff member was determined on an ad hoc basis by staff approaching management for a pay rise, and the owner set the amount of increase to the level that he believed was ‘a fair rate of pay’. Within the payment structure, leading hands were distinguished from supervisors, who were paid a salary based on the award rate that included award allowances for supervisor duties.

Overaward payments were also set at the discretion of the owners in the food manufacturing concern, who paid them to full-time staff working within a banked hours system. Pay rates for these workers were not linked to award classification rates or any external benchmarks but had, according to an owner, ‘… just evolved … we’ve just given a pay rise here and a pay rise there, not particularly formally’. The owner added:

> I like to reward people for their work. And if we’ve got somebody who’s really putting in and we identify them as somebody who really has the business’s interests at heart, then we like to reward them for it.

Pay rises were given to long-serving staff to encourage retention. An owner noted that they had paid low wages to workers in the past, but that this had attracted staff of inferior ability and resulted in high turnover. The level of pay rise given to individual employees was determined further by the nature of the task performed by staff and the degree of skill it required (with particular regard to employees’ application of knowledge pertaining to food safety regulations). Wages were also set with reference to other staff members’ pay rates, to prevent employees from raising concerns about equity issues. Where minimum wages increases occurred, managers did not increase overaward rates by a commensurate amount.

Outside manufacturing, discretionary overaward amounts were paid to particular employees in other enterprises. In a childcare centre, the director was paid an extra dollar per hour on top of the award rate in recognition of her management responsibilities and extra hours worked. A specialist retailer paid a casual junior employee an overaward payment in recognition of length of service, level of experience and competence. This employer had a policy of paying longer serving junior staff overaward payments of ‘an extra couple of dollars an hour’ to convey his appreciation for the work that they did and because he felt that the award rate was not high enough for junior employees.
Likewise, the manager of a registered club paid overaward payments in recognition of the low rates paid to apprentices. Apprentice chefs received overaward payments once they had worked in the enterprise for six months and proved their capabilities because ‘no one can afford to live on $200 a week or $220 a week’. It was particularly difficult for mature-age apprentices to live on award rates. The manager’s reason for increasing the hourly pay rate from $6.50 to $10 was to provide a living wage, but equally to retain apprentices: ‘... chefs are too hard to get. If you get hold of a good kid that’s willing to put the hours in at the low rate, you’ve got to reward them.’

Lower level managers, supervisory and administration staff in a relatively large group of case study enterprises were paid industry award rates, with an additional overaward component on top. The amount of the overaward payment paid to staff was at the discretion of business owners or managers. In two retail enterprises, employees in this category included key staff who undertook ordering of stock or management duties. In a specialty store, the store manager was paid an overaward rate set by the owner, who applied a discretionary amount on top of the award classification rate for a higher level supervisor.

He described the payment as ‘probably a couple of thousand more than the award per year’. The amount of overaward payment was not calculated with reference to any external information sources. Rather it was described by the owner as being ‘as much as I can afford’. The extra payment was in recognition of ‘the amount of appreciation for [the manager’s] work around here’, including working hours beyond shift end times.

In a supermarket, staff who ordered stock and managed a section of the supermarket were paid an extra $20 per week as an overaward payment ‘so that there’s flexibility built in’; the owner could call on them to work on weekends, at a standardised rate, if needed.

3. Overaward salaries paid to employees in areas of skills shortage (paid to chefs, butchers, and hospitality supervisors and managers)

The unifying feature for this group is that the overaward payment is salaried and absorbs all penalty and overtime loadings into an annual wage. Unlike the other overaward payments found in the study, this arrangement allowed for unfettered hours to be worked.

Overaward payments were commonly paid to employees in occupations characterised by scarcity, such as chefs and butchers. All hospitality employers who included qualified chefs in their staffing mix paid overaward payments to these employees in the form of salaries. The amount of overaward payment was determined on a case-by-case basis through negotiation between employees and employers. In a number of enterprises, salaries were offered that were well above the award rate in order to attract and retain chefs and a butcher in a retail site.

In some hospitality enterprises, employees such as restaurant or bar managers were subject to similar arrangements. The trade-off for many hospitality workers on higher salaries (such as chefs and restaurant managers) was the requirement that they work long and unsociable hours. In an inner city restaurant, for example, the head chef and restaurant managers were paid around 50 to 75 per cent above award rates. The owners deemed it necessary to pay this premium in order to ‘get good staff’; and explained the general ‘rule of thumb’ used in setting pay in the industry:

If you want good people you have to pay over the award … waiters will pretty much work for award generally. A waiter will expect nothing more than the basic award, they get their 40 hours and their tips and they’re happy. Managers, you always have to pay above-award in this industry, if you want someone decent, and the same with a
good chef. If you just need a recently qualified generic chef in the kitchen to do basic stuff, you can pay award. But anybody at a higher level will want a lot more than the award … a restaurant manager in [capital city] gets between $70,000 and $100,000, if they’re in a decent restaurant … An assistant manager between $45,000 and $55,000 and chefs are about the same as restaurant managers, the head chefs anyway.

In another hospitality enterprise, the amount of pay increase for in-demand staff on overawards was determined by their length of employment with the company, their knowledge, skills and performance in the job.

Similar arrangements, although with much lower wages, were common in other hospitality enterprises, in which permanent full-time managers and supervisors were paid a salaried weekly wage that included an overaward component. This arrangement provided owners or senior managers with the discretion to roster these employees ‘flexibly’ (and in some cases regularly) during weekends, public holidays, nights or other shifts they had difficulty finding staff for, without incurring penalty rates or casual loadings. This loading also compensated for any hours worked over the standard weekly limit (38 hours in most cases). Managers regarded the overaward payment structure as a win-win for the enterprise and the employee: it helped bring wage costs down (through avoiding paying penalty rates and overtime payments), but it also gave staff the stability of a guaranteed regular income.

One manager summed this up by stating that they paid overaward rates to these employees ‘to look after them, as well as to know that in a way they’re available whenever they’re requested, they’re required’. For managers in these enterprises, overaward payments were also seen as a reward for experience and long service in the enterprise and as a means of recruiting staff to ‘critical, pivotal’ managerial roles. In two of the hospitality enterprises, salary packages for these staff included a variety of additional payment mechanisms such as incentive and bonus schemes, and annual pay increases linked to sales increases.

4. Structured overawards paid to allied health professionals, and some supervisory staff and managers in community services organisations

A community service provider instituted a wages system using the state Social and Community Services Award as the foundation, while augmenting the salary and classification spine to incorporate overaward rates for managers and allied health workers in an organisation-wide pay scale. This has provided transparency in terms of wages and conditions, in keeping with the employment philosophy of the enterprise. The last three state-based wage increases were passed on to all employees in the organisation including those on overaward rates. The CEO explained that transparency, equity and providing additional incentives to workers, such as enhanced superannuation for long-term employees, had assisted them in retaining employees in the face of higher wages paid outside the non-profit sector. Wage rates for allied health professionals can be as much as 25–30 per cent higher in government organisations. A manager outlined their approach:

… our board agreed to have some above-award things in terms of pay rates inserted. So we use the award as the base … We would never have been able to retain the number of people that have stayed as long as they have in senior positions if they hadn’t done something because the pay was nowhere near. So we’ve actually got a reasonable retention rate. But they were very committed with staying with the award until such time as we can fix it.
3.5.2 The position of employees on award classification scales

There was evidence that some employers were not using the award classification scales for the purpose in which they were intended: the designation or appointment of employees at levels on the scale according to their experience, qualifications, length of service, or other criteria set out in awards. In some cases, this was because employers had outsourced payroll management. This meant that decisions about where new staff should be placed on the scale were often made by external payroll organisations or business accountants with no reference to employees’ skills or experience. In consequence, the business owners had little if any knowledge of where their employees sat, or where they should correctly be sitting, on the scale. This amounted to greater scope for employees to be incorrectly classified.

In other cases where owners/managers were directly responsible for determining where employees sat on the scale, they used a discretionary approach. That is, rather than placing staff at different points on the scale according to their experience, skills, or length of service, they classified staff according to the pay rate attached to a classification. The point on the scale on which employees were placed was determined by the owner/manager’s assessment that a particular staff member was ‘worth’ a particular pay rate. This manifested in apparently skilled employees being placed at the bottom levels of the classification scale. This practice tended to be associated with enterprises with limited managerial capacity or limited support.

One business owner who used this practice stated: ‘I don’t look at this [pointing at the scale], I look at the loading at the end. I see what the end rate is and say, ‘Yep, well that’s fair. That’s pretty good.’ This employer hires all new workers on the base grade (and wage rate) on the classification spine before considering moving them further up the scale, in light of their performance and the extent to which they become more experienced in the role. He stated “… if they prove to me over time that they’re better, they will definitely go up because they’re worth more to the business’.

This employer saw no value in the award classification system which linked pay rates to qualifications as he felt that this did not reflect the realities of the jobs in his enterprise or how skills were formed in the sector. Highly qualified staff regularly approached him for work, but most were found to lack the practical skills needed to do the job, and he saw no sense in paying a premium for formally qualified staff who expected wages commensurate with their qualifications, but spent 90 per cent of their time doing menial tasks. He preferred to employ staff who had many years of practical, job-based experience in the sector, as they were more likely to have the appropriate skills when called upon, and he felt freer to exercise his discretion when it came to identifying the appropriate award rate.

Discussion about the transition to the modern award indicated that increases in modern award pay rates could motivate this employer to reconsider the position of staff within the classification scale. He stated:

… So we’ve pulled out the award and gone right, “These guys are worth this [pointing to classification rates]. They’ll qualify for any of those [classifications], or those two at the top and the bottom one.” And so we’ve decided right now they’re on this one. Now if the new award comes out and it says they’re on $19, $20, well they’re actually really too high for what we need. For us to bring them back down, and they’re going to see it, they’re not going to like that. They’re going to think that we’ve taken a pay-rise off them.
3.6 Labour cost management

There was some diversity of experience among enterprises in terms of whether they had encountered variation in their labour costs over the past 18 months. Several trends were evident:

- In most hospitality sites, labour costs had decreased due to a range of initiatives undertaken by owners/managers. These included the introduction of new time management and rostering systems, changes to rosters, reductions in staff numbers, hiring greater numbers of apprentices (at lower wage rates), and in some enterprises, a shift to staff ‘working smarter’—feeding information back to managers and taking on a greater range of managerial tasks. In the remaining hospitality sites, labour costs had remained at the same level, as owners had pared them down to the lowest possible level at the onset of the GFC. One owner described how weekly wage costs had been reduced to the point where they remained static, while the enterprise experienced marked fluctuations in weekly turnover. Their strategy was to maintain labour costs, and schedule casual workers to work more hours if turnover picked up, as this represented only a minimal cost increase to the business.

- In manufacturing concerns, labour costs were relatively stable on a year-to-year basis. In some enterprises, labour costs had remained steady over the previous 18 months because redundancies had taken place prior to this period. Redundancy packages paid to long-serving employees in one enterprise had resulted in a one-off increase in labour costs in 2008. By 2009, labour costs in most manufacturing enterprises had stabilised, and in two cases managers reported that in the most recent year they had decreased due to a reduction in overtime payments.

- Labour costs increased in two of the larger community services enterprises due to difficulties recruiting staff. Additional costs were incurred when these employers competed with higher paying competitors for staff and were required to pay a premium for new staff, and in another enterprise when an inability to recruit nurses required the use of agency nurses at additional cost. This enterprise was examining strategies for reducing the use of nursing staff in order to reduce labour costs. The childcare provider had experienced a slight increase in labour costs due to a state-level childcare sector pay equity case determined three years earlier. This led to a 26 per cent pay rise transitioned over three years. Over the previous year, labour costs had increased as increased pay rates for childcare directors took effect. In other community services enterprises, labour costs had remained static.

- There was a mixed picture in terms of labour cost trends in retail enterprises. Specialty retailers had experienced static or decreasing labour costs: the latter occurred where workers on higher pay rates had left the enterprise or been reclassified downwards, and new staff hired on lower rates. For the fast food franchise and supermarkets, employment strategy revolved around maintaining labour costs at benchmarked levels (10 to 11 per cent in supermarkets, 27 per cent in fast food). One of the supermarkets had managed to maintain labour costs at the benchmarked level; the other had experienced a one per cent increase over each of the last three years, and was at a loss to explain why this had occurred. The strategy of the fast food franchise owner was to maintain labour costs through a variety of means including motivating staff to work harder, rostering off less productive employees, hiring younger juniors to replace those who left, and the owner working longer hours in the business.
The substitution of higher paid with lower paid staff was a strategy used to reduce labour costs in all sectors. Substitution strategies took the following forms:

- the replacement of qualified skilled trades employees with apprentices or unqualified employees (e.g. trained printers/chefs with apprentices/untrained cooks);
- substitution of higher paid registered nurses with personal care workers in community services enterprises; and
- the employment of junior staff to do work previously performed by adult workers (a common strategy in hospitality and retail enterprises).

One manager described how labour cost management was the central focus of the organisation, and summed up how substitution strategies provided a source of cost savings, in terms of ‘the rate that we are paying them [staff] and who we get to do the job. Like can we employ a junior over an adult, or a cook over a chef, or a microwave instead of a chef?’

### 3.7 Employee productivity

Productivity was not formally measured by any of the employers in the study, so in many instances employers were unable to assess whether employee productivity had changed over the previous 18 months. Some had, however, given thought to comparable measures of employee efficiency, and these varied by industry sector:

- hospitality employers tended to equate productivity with customer service;
- manufacturing employers used a standard ratio of labour input to outputs;
- community services employers positioned quality of care as a more appropriate measure of labour utilisation in the sector than productivity, but also described how productivity was maintained through workload intensification among direct care staff; and
- retail employers described productivity in terms relating to owners’ assessment of how hard individual employees worked on the shop floor. They managed productivity by observing employees as they worked. Where an employee’s performance was deemed inadequate, employers took steps to improve their productivity or terminated their employment.

When asked whether changes in productivity were measured, a standard response from owner-managers of many small manufacturing, hospitality and retail enterprises was that they were working in the business alongside staff, and constantly checked on how efficiently staff worked while on the job.

Most hospitality employers conceptualised productivity in terms of the quality of customer service provided by staff. One noted that productivity had increased while labour had decreased, describing this as ‘working smarter’. Conversely, another employer felt that productivity had decreased when measured on a wages/sales basis, noting ‘$10,000 worth of wages used to get me $45,000 in turnover. Now it gets me $25,000 [turnover]. Now that doesn’t mean the staff aren’t working as hard. But they’ve got less to do.’
In manufacturing businesses, productivity levels were largely determined by the substitution of capital for labour, the extent to which existing capital was used efficiently, and production flows. The length of time over which machinery was run was a determinant of productivity in the food processing firm, and in the printing enterprise, productivity improved when machinery was upgraded. An example was given of the recent purchase of a new digital printing machine which had essentially replaced two staff members. In a third enterprise, managers defined productivity as the ratio of actual hours worked by employees versus the hours they were paid for. As the workforce was employed on a full-time permanent basis, the ratio of worked-to-paid hours was determined by the state of the order book: while staff were paid for an eight-hour day, there was not always enough work to keep them productive for the full eight hours. Productivity tended to decline when the company had fewer orders, as workers slowed down in order to stretch out the work and keep themselves busy across the 38-hour week. One manager stated:

If push came to shove and we had the place [order book] almost full we could most likely get 20 per cent more out of them than what we’re currently getting … There’s always more that you could get out of them but you also want a happy environment to work in too.

Community services employers conflated productivity with the quality of care delivered to service users. A childcare employer used occupancy levels as a default measure of productivity, explaining that if staff are not working hard to deliver quality care, parents will shift to another provider, resulting in lower occupancy levels. Likewise the aged care employer felt that productivity, as measured by the level of care provided to hostel residents, remained at a consistently high level. However, staff workloads had simultaneously increased because of the need for staff to fulfil compliance requirements on top of caring duties. A similar picture emerged from the youth and family services enterprise. Managers described how productivity remained high, when defined in terms of providing clients with a quality service. However, staff felt less productive due to a culmination of pressures and consistently high workloads. Again, this was partly a function of additional compliance demands:

I think losing some of the programmes, picking up new ones, extra pressures around accountability, the micromanagement that government impose on us … that does lead to high pressure, high workload. There’s no-one in this organisation doesn’t work their guts out … We used to often think there was a quieter period (October–January) … That’s not true anymore. There’s no quieter period.

The employment services provider had been gradually increasing client-staff ratios as employees left and remaining staff were given higher case loads. As funding did not match the costs of meeting contract service targets, managers faced ongoing pressure to increase employee workloads further, but without a commensurate increase in pay rates. This would lead to an increase in productivity, but might also result in staff turnover due to pay levels being lower than the industry standard. A manager explained:

We know that our industry colleagues are increasing their staff-to-client ratio and we’ve been trying to hold off. We have increased it slightly, but we’re still sitting under industry standard. We’re certainly feeling from a financial bottom-line point of view the pressure to increase them again. The challenge that we have is turning round, saying to staff, “I want you to take on another 20 clients each in your caseload, but I’m not going to give you any more money because I can’t afford it.”

Managers from the youth and family and disability services enterprises stated that their organisations were subject to proxy measures of productivity within their funding agreements, in terms of performance targets for providing assistance to clients. These output measures were seen by some managers as an inappropriate measure of effectiveness when considering the enterprise’s role within society more broadly. One manager explained:

I don’t see productivity being how many [clients] we saw, which is what happens again particularly in the government funding, they want you to do more clients or they turn it into a unit cost … And probably the better word’s whether you’re effective, and whether you’re adding to the capacity of a community to be a community.
In the disability services organisation, as in the aged care hostel, managers felt that productivity (as measured by the quality of the service provided) had increased over the past year. In the disability services provider, this was because staff had a better understanding of their role following a restructuring program. At the same time, however, the hours worked by employees in both enterprises had increased.

Retail employers in the study did not formally measure productivity. The owners in these businesses worked alongside staff on the shop floor and assessed their efficiency as they went about their work. One retailer stated that because he and his co-owner worked in the business on a daily basis they knew how long it took to perform each activity. He jokingly noted that if staff members were not working fast enough, the owners would ‘give them a kick up the backside’. On a more serious note, the owners had undertaken 15 counselling sessions with staff in regard to poor job performance and attitude in the last year. This was because the financial pressures on the business had increased and the owners had been compelled to minimise labour costs and maximise staff efficiency. Other strategies used by retail employers to improve productivity included cutting short the shifts of casual workers during quiet periods on a daily basis; cutting staff so that only the most productive staff were employed; and employing staff on casual arrangements so that it was easier to terminate their employment if they did not perform.

Improving employees’ functional flexibility through multiskilling was seen as an important means of improving the productivity and job security of employees. This was particularly the case in hospitality and manufacturing enterprises. In hospitality, employers were able to move cross-trained staff from quiet to busy areas of the business. A licensed hotel owner spoke of the importance of ‘multiskilling someone who’s a cleaner into working in the bar, or a cook serving a beer’. Cross-training staff provided them with a steady level of work and ongoing employment. Likewise, in a registered club most floor staff were trained to work across all five areas of the club (gaming, bar, TAB, functions, and reception); and in a licensed hotel/bistro chain, trainees were cross-trained in order that they could take on a range of responsibilities in the absence of other staff, and work across the chain’s multiple sites if needed. In the furnishings and food manufacturing sites, managers explained that most of the staff were multi-skilled by virtue of having been employed in the organisations for so long, during which time they had undertaken a range of job roles.

3.8 Strategies around the use of industrial instruments

Enterprises were selected for inclusion in this study on the basis that an identifiable group of staff was paid award rates. However, some enterprises in the study had also been party to certified agreements in the past, or had tried unsuccessfully to implement them, or were contemplating negotiating agreements in the future.

An employment services provider and an aged care hostel had in the past been party to certified agreements that had lapsed. Both were contemplating renegotiating new agreements in the future.

The employment services provider had acquired the case study worksite, which had a certified agreement in place. Staff attrition had meant that only about 20 per cent of staff remained covered by the agreement, while those who joined since the site was acquired were employed under the award. For some time, the senior management group had discussed the possibility of negotiating a new enterprise-wide collective agreement. However, the management focus in recent years has been the organisation’s large-scale expansion, leaving little time to develop an agreement. A manager noted that a collective agreement would do little to mediate the pressures around under-funding of services and that difficulties would remain in terms of the inability to recruit staff, given higher paying competitors. Despite this, there was an assumption among job seekers in the sector that wages paid under collective agreements are higher than award wages. Thus having a collective agreement in place might benefit the organisation in terms of facilitating the recruitment of staff in a competitive market.
The aged care hostel had an enterprise bargaining agreement which had lapsed three years ago. Managers had intended to renegotiate a new agreement some time ago but had decided not to while the industrial relations system was in flux. They were planning to negotiate a new agreement, with the assistance of their employer association, in order to exempt them from certain provisions in the modern award.

Supermarket operators varied in their views of the worth of pursuing new arrangements. A supermarket operator had attempted to negotiate a certified agreement in late 2009, at considerable cost to the organisation, in order to avoid having to pay higher weekend penalty rates in the modern award. The agreement was rejected by the certifying authority as it did not meet the relevant no-disadvantage test. A second supermarket owner had received professional advice pertaining to the benefits of negotiating a certified agreement (both prior to and after 1 January 2010) but felt that there was little advantage in doing so, as the award provided minimum pay rates, and they would continue to employ staff on minimum rates.

In two cases, unions had pursued collective agreements to no avail. They had attempted to persuade the owners of the food processing enterprise of the merits of an agreement, but the owners resisted. Likewise, a union approached the managers of a registered club seeking a collective agreement. The managers investigated the pros and cons of agreements through discussion with managers at other venues where agreements were in force. The union did not pursue an agreement. The managers believed that this was due to the union receiving feedback from staff that employees considered themselves to be well paid and did not want the union to ‘rock the boat’. And at a final hospitality site, trainees were on a collective agreement in order to provider greater flexibility of hours than was available to employers under the award (as described in section 3.3).

**Employee experiences**

**Key findings**

Five broad groups have been identified based on different ‘types’ of employees in the study. They are primarily distinguished by their stage in the lifecycle and their relative vocational attachment.

Employee experiences are further contextualised and shaped by:

- The nexus between hours, wages and categories of employment—hours, wages and categories of employment are profoundly interlinked in terms of employee experiences and aspirations. How these factors played out for the individual directly shaped their earnings as well as their capacity to have a fulfilling life outside work.

- Relative reliance on earnings to support the household—the relative importance of an individual’s earnings to the household drove their work-life priorities. It shaped the risks they were willing to take to change their employment circumstances.

- Time and capacity to undertake paid work—people with caring responsibilities outside work had their earnings impacted in two ways. First, those who needed part-time work had their job opportunities narrowed and they gravitated to lower paying jobs, and second, they were earning less because they were working fewer hours.

- Conditions in the local economy and labour market—cost-of-living factors and job opportunities varied depending upon the state of the local economy. This shaped employees’ job and earning options.
• Structural supports in the enterprise—some employees enjoyed greater flexibility and opportunities to progress in their jobs/careers due to the employment supports available at the enterprise.

Overall, minimum wage-reliant employees in the study described a regimen of surviving from pay to pay, very little capacity for saving and ongoing increases in the cost of living. This was particularly acute among non-student employees who were earning low weekly wages. Many participants observed that wages were not keeping pace with cost increases. Employees described rising grocery and petrol prices and said large proportions of their wages were being spent on accommodation and housing. Location appeared to have a significant impact on the cost of living, with some workers appearing to pay a premium to live and work in certain areas. The capacity to cover costs was influenced by household structure, coupled with other factors including the level of other household income, the degree to which household income had to support other family members, and the priorities and pressures employees had in terms of spending and debt.

Underemployment among the employees in this study was most common for casual and part-time employees. Some of them struggled regularly to get enough hours of work to earn a living wage; others experienced fluctuations in their weekly hours of work, leading to wide variations in week-to-week earnings. A number of employees were either seeking to work beyond their full-time hours or were already working multiple jobs in excess of a standard week to meet their financial goals or obligations. This was a feature commonly associated with employees on relatively low hourly rates of pay.

Many participants were struggling to obtain a balance between work and life. This tended to be most pronounced for individuals with unpredictable work hours, excessive hours, intensive hours or work hours that were unsociable. Contingent workers regarded secure employment as a prime concern. Secure employment provided stable and guaranteed hours that enabled consistent and secure wages.

Neither minimum wage-reliant nor overaward wage earners in the study had in-depth knowledge of wage-setting practices. Those employees at sites with a union presence tended to be better informed about standards and processes than employees at other sites. Minimum wage-reliant workers felt they had no role in negotiating their wage rates, and some employees in skill-shortage occupations were the only overaward recipients who felt they had an active say in negotiating their pay. The employees who recalled receiving previous centralised wage increases reported experiencing little effect in light of their overall circumstances. Manufacturing workers were more likely than others to say that their rates were too low to be fair, while community service employees frequently stated that their wages failed to reflect the value of their work.

Vocational employees, particularly those in community services, frequently expressed satisfaction and enjoyment in their work. Non-vocational employees were far more likely to assess their jobs in terms of wages, hours and conditions rather than job content. They commonly expressed greatly valuing the social aspects of their work. Very few non-vocational employees felt that they had strong options within the labour market to move or improve their employment. Prime age and mature non-vocational employees in retail and hospitality were inclined to regard the most realistic way of achieving progression as improving the jobs they already occupied by getting better rosters, overtime or more secure employment. Mobility was generally seen as counter-productive to job improvement among this group.

This section of Part 1 analyses and reports on the data gathered during interviews with 73 employees at the enterprise sites of interest. The section provides an overview of the characteristics of employees who participated in the study. It then outlines broad groups of employees based on discernible patterns from the data and the key contexts that shape the employee experience. The latter part of the section describes in some detail the issues
raised in interviews, using verbatim quotes from employees. Quotes are used to show common sentiment, but also the diversity of views and experiences of employees.

As noted earlier, this section reflects the experience of minimum wage-reliant workers. Where the experiences of overaward paid employees are reported, this is indicated.

### 4.1 Characteristics of employees

The employees interviewed in the course of this research included minimum wage-reliant employees who earned anywhere between $9.23 (an apprentice chef) and $31.00 (a community services co-ordinator) an hour; along with employees on overaward payments who earned between $15.00 (a manufacturing process worker) and $42.68 an hour (a clinical psychologist). They ranged in age from 18 to over 65. Their household and living arrangements included living in extended family households, in nuclear families (as either parent or dependant), or in group housing, and living alone. They were spread across small regional towns, large regional centres, and in high-density inner city locations. They worked across a range of 18 sub-industries as diverse in nature as boutique manufacturing, non-profit community service provision, high-end dining, and fast food, and occupied over 30 different types of jobs.

**Table 4.1: Key employment characteristics of employees by sector, award wage reliance**

<table>
<thead>
<tr>
<th></th>
<th>Participants</th>
<th>Women</th>
<th>Part-time</th>
<th>Casual</th>
<th>Junior</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Hospitality</strong></td>
<td>23</td>
<td>11</td>
<td>10</td>
<td>8</td>
<td>0</td>
</tr>
<tr>
<td>Minimum wage-reliant</td>
<td>14</td>
<td>9</td>
<td>9</td>
<td>8</td>
<td>0</td>
</tr>
<tr>
<td>Overaward reliant</td>
<td>9</td>
<td>2</td>
<td>1</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td><strong>Retail</strong></td>
<td>15</td>
<td>13</td>
<td>10</td>
<td>7</td>
<td>6</td>
</tr>
<tr>
<td>Minimum wage-reliant</td>
<td>12</td>
<td>10</td>
<td>9</td>
<td>7</td>
<td>6</td>
</tr>
<tr>
<td>Overaward reliant</td>
<td>3</td>
<td>3</td>
<td>1</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td><strong>Manufacturing</strong></td>
<td>15</td>
<td>3</td>
<td>2</td>
<td>2</td>
<td>0</td>
</tr>
<tr>
<td>Minimum wage-reliant</td>
<td>7</td>
<td>2</td>
<td>1</td>
<td>1</td>
<td>0</td>
</tr>
<tr>
<td>Overaward reliant</td>
<td>8</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>0</td>
</tr>
<tr>
<td><strong>Community services</strong></td>
<td>21</td>
<td>17</td>
<td>9</td>
<td>1</td>
<td>0</td>
</tr>
<tr>
<td>Minimum wage-reliant</td>
<td>19</td>
<td>15</td>
<td>8</td>
<td>1</td>
<td>0</td>
</tr>
<tr>
<td>Overaward reliant</td>
<td>2</td>
<td>2</td>
<td>1</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>74</td>
<td>44</td>
<td>31</td>
<td>18</td>
<td>6</td>
</tr>
<tr>
<td>Minimum wage-reliant</td>
<td>52</td>
<td>36</td>
<td>27</td>
<td>17</td>
<td>6</td>
</tr>
<tr>
<td>Overaward reliant</td>
<td>22</td>
<td>8</td>
<td>4</td>
<td>1</td>
<td>0</td>
</tr>
</tbody>
</table>

*Note: The earnings data is based on the base hourly rate of pay. For employees subject to overaward arrangements, the base hourly rate of pay may include rolled in penalty rates.*
Some of the key characteristics of the participants are outlined in Table 4.1. The table should be read from left to right. For example, the first three rows in the table describe the characteristics of study participants from the hospitality industry. It can be seen from the top of the second column (labelled ‘Participants’) that 23 employees from the hospitality sector were involved in the study while the two rows down show that 14 of those employees were minimum wage-reliant, and the remaining nine were in receipt of overaward payments of some kind. The columns go on to describe the number of award-reliant and over award–reliant participants who were women, part-time employees, casuals and juniors. Each sector is detailed in turn. The final three rows in the table provide the totals for each variable across all sectors.

As can be seen from the table by looking at the ‘Total’ row, the majority of participants were women (44 of the 74). Although eight women were receiving overaward wages, five of those appear to have been unintentionally paid above-award rates. Employers believed that these employees were paid award rates. However, reference to the applicable award indicated that employees were paid over the award rate. This is in contrast to 14 men in the study who received overaward payments, all of which were intentional. Over half of the employees were in full-time employment, with most full-time employees in the study working in manufacturing and community services (12 employees in each). Nearly all of the casuals participating in the study had jobs in hospitality (eight) or retail (seven). All junior employees worked in retail enterprises. Although this is not represented in the table, there were two apprentices in the study, one who worked in manufacturing and the other in a restaurant. The low number of apprentices in the study reflects the relatively low number of apprentices employed in the sites of interest.

Greater detail of the range of participant earnings in each sector can be found in Table 4.2. This table shows that the rates earned by study participants varied markedly within the sectors and that overaward payments varied significantly in magnitude.

### Table 4.2: Range of hourly rates of pay and related job roles by sector and award wage reliance

<table>
<thead>
<tr>
<th>Sector</th>
<th>Wage range</th>
<th>Lowest paid job</th>
<th>Highest paid job</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Hospitality</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Minimum wage-reliant</td>
<td>$9.23 – $19.89</td>
<td>Apprentice chef</td>
<td>Bar and gaming attendant</td>
</tr>
<tr>
<td>Overaward reliant</td>
<td>$17.02 – $32.05</td>
<td>Administrative assistant</td>
<td>Head chef</td>
</tr>
<tr>
<td><strong>Retail</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Minimum wage-reliant</td>
<td>$12.75 (casual rate) – $17.74</td>
<td>Junior sales assistant</td>
<td>Supervising grocery assistant</td>
</tr>
<tr>
<td>Overaward reliant</td>
<td>$15.95 – $20.25</td>
<td>Sales assistant</td>
<td>Office manager</td>
</tr>
<tr>
<td><strong>Manufacturing</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Minimum wage-reliant</td>
<td>$12.59 – $16.78</td>
<td>Apprentice tradesperson</td>
<td>Process worker</td>
</tr>
<tr>
<td>Overaward reliant</td>
<td>$15.00 – $22.20</td>
<td>Process worker</td>
<td>Tradesperson</td>
</tr>
<tr>
<td><strong>Community services</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Minimum wage-reliant</td>
<td>$14.66 – $31.00</td>
<td>Childcare assistant</td>
<td>Service coordinator</td>
</tr>
<tr>
<td>Overaward reliant</td>
<td>$39.83 – $42.68</td>
<td>Program manager</td>
<td>Clinical psychologist</td>
</tr>
</tbody>
</table>

*The hourly rate is derived by dividing the weekly wage by the average number of hours worked as stated by participants.*
Hospitality wages ranged from $9.23 an hour for an apprentice chef through to $82,000 per annum for a fully qualified and very experienced salaried chef. The majority of hospitality workers in the study were different kinds of food and beverage attendants and earned minimum rates of around $15–$16 an hour for permanent work and $19 an hour in casual jobs. The majority of overaward wage jobs were occupied by chefs, although there were several bar and gaming attendants who earned an hourly rate that absorbed all shift penalties that constituted a form of overaward payment. The lowest overaward rate was $0.24 above the award hourly rate of pay and was paid to a long serving administrative assistant.

Minimum wage-reliant workers in retail case study enterprises earned between $12.75 an hour for a casual junior and $17.74 an hour for a sales assistant who was occasionally in charge of the shop. Most of the casual workers in retail were also junior employees. As a result of the casual loading, most juniors were earning similar hourly rates to the permanent adult retail workers in the study of between $14 and $17 an hour. Two of the overaward recipients were earning $0.11 an hour over the award rate of pay, while the largest overaward was paid to an experienced administrative worker who was working in an office manager role. All employees in the study from the retail sector were earning less than $21 an hour, whether they were on award rates or overaward rates.

Manufacturing wages earned by employees in the study were close to those paid in retail. Most permanent process workers, both award-reliant and overaward–reliant, earned between $14 and $17 an hour. Overaward rates were very close to the award rate of pay. Some qualified tradespeople (a tailor and a printing machinist) received moderately higher overaward payments of approximately between $3 and $5 above award per hour. All employees in the study working in manufacturing sites were earning under $23 an hour.

Community service workers who participated in the study tended to work in one of three main groups of jobs—direct caring roles, managerial or supervisory positions and allied health jobs. Direct care workers, the majority of community services employees in the study, were paid on award although there were significant differences in the hourly rate of pay depending in which state jurisdiction they worked. Workers in NSW case study sites are subject to much higher award rates than those paid for comparable jobs in Queensland and Victoria. In the case of Queensland, this tends to be sub-sector specific and should not be seen as referring to all community service pay rates in these states. Rather, it relates to those that are dealt with in this study. In particular, no enterprise subject to the Social and Community Services pay equity order in Queensland is in the study, where many comparable jobs earn more than in either NSW or Victoria.

Aged care, childcare and disability workers earned between $14 and $19 an hour while youth workers and employment service workers earned between $21 (no penalties) and $26 (with penalties) an hour. Overaward rates were paid to two community services employees in the study, an allied health professional was earning $43 an hour and a manager/coordinator was earning $39 an hour.

4.2 Different types of employees

The experiences of employees in the study, while clearly shaped by the sectoral and sub-sectoral conditions evident at the enterprise, were often similar across the industry sectors within which the case study enterprises were located. For example, shiftworkers in community services and hospitality had more in common with each other on the issue of hours of work than with non-shiftworkers in their own industries. Hospitality workers earning low wages with considerable financial obligations were a lot less likely to share cost-of-living pressures with chefs and much more likely to share those pressures with low-paid workers in other industries. The connection that people had to their jobs was more likely to be delineated by their relative vocational/occupational status than purely by the industry they worked in. For example, strong feelings of vocational dedication to an occupation were shared across the sectors among tailors, personal care attendants, childcare workers and chefs alike.
What follows is an outline of five broad groups of employees that have been derived by analysing data from the employee interviews. The groups are not exact—rather they reflect the experiences of the participants at the time of interview and provide a loose framework for investigating patterns associated with attachment to work and employees’ relationship to minimum wage employment.

Traditionally, distinctions between workers have been based on their employment status—whether they are casual or permanent, part time or full time, skilled or unskilled. These are important categories and they are discussed in this Part. What is often less clear when using those categories is the effect of casual work on different types of employee: for example, how issues such as under-employment and the likelihood of remaining underemployed can vary depending upon an individual’s point in the lifecycle, position in a household, and the relative pressures they experience associated with time and money.

The five broad groups derived from data provide an outline of the different types of employees in the study that serve to highlight such issues. They are:

- full-time student employees;
- young non-vocational employees;
- young vocational employees;
- prime and mature age non-vocational employees; and
- prime and mature age vocational employees.

**Full-time student employees:**

- hourly wage range: $12.75 (casual)—$19.86 (casual);
- relationship to minimum rates of pay: all minimum wage-reliant; most of these employees experienced wage increases based on moving up junior classification scales; and
- representative jobs: fast food employees, retail assistants, and bar and gaming attendants.

Employees who were studying full time were limited in the hours they were able to work, and this was reflected in the types of jobs that they were employed in: primarily casual after-hours or weekend retail or hospitality jobs. Many were employed as juniors and were earning low hourly rates of pay. All of the juniors in the study fall into this group. In all cases, they were living with parents and their earnings went on discretionary spending. They regarded their current jobs as providing interim employment while they concentrated most of their time and effort on university studies. None of them contemplated continuing in their respective industries and all anticipated moving into jobs relevant to their university qualifications with higher wages and greater career prospects upon completion of their degrees. However, the study did include some prime age employees working in community services who had entered the industry via ‘university jobs’ and who had felt a strong affinity for the work and so stayed.
Young non-vocational employees:

- hourly wage range: $14.86 (base)—$19.86 (casual);
- relationship to minimum rates of pay: all minimum wage-reliant; and
- representative jobs: fast food employees, retail assistants, and bar and gaming attendants.

This is a small group of workers who were relatively young, generally working full-time hours (or looking to work full-time hours), and who were either living independently or aspiring to live independently. None had dependants. They generally had no qualification for the work that they were doing, or had a qualification with no impact on their wage level (that is, there was no recognition of the qualification in their wage rate). While some aspired to vocational employment, they found it hard to find the time and money to get the further training required. Their expectations of their working futures tended to be based on finding more secure low-paid work and/or cheaper ways to live.

Young vocational employees:

- weekly wage range: $350.74—$478.42;
- relationship to minimum rates of pay: minimum wage-reliant; increases in pay based on progressing though the apprentice classification structure; and
- representative jobs: trade apprentices.

Apprentices were on the path to becoming vocational employees. There was recognition that they were enduring very low wages in the short term to enjoy higher paying employment in the long term. They tended to have very controlled hours and did not work beyond the standard, contrasting significantly with their qualified counterparts who in some cases were working long hours to earn their overaward wages. In some cases, apprentices worked second jobs in the first years of their apprenticeships to supplement very low wages.

Prime and mature age non-vocational employees:

- hourly wage range minimum wage-reliant: $14.28 (base)—$19.86 (casual);
- hourly wage range overaward payments: $15.00 (base)—$19.23 (rolled in rate);
- relationship to minimum rates of pay: primarily reliant on minimum wages increases to improve pay; limited opportunity for internal career progression; limited opportunity for overaward payments; limited opportunity to move into stable jobs, thereby decreasing the chances of overaward rates and advancement; limited evidence of overaward conditions;
- minimum wage-reliant representative jobs: casual and permanent manufacturing process workers, sales assistants, bar and gaming attendants, and administrative staff; and
- overaward representative jobs: permanent manufacturing process workers, retail assistants, bar and gaming attendants.
These workers did not have strong vocational attachments to their work. While some may have been trained (although very few were, and generally via traineeships), they were more likely to be attached to jobs for the extrinsic rewards they offered (notably pay) rather than intrinsic rewards (psychological, non-monetary rewards pertaining to job satisfaction). For these workers, job quality revolved around seeking decent wages, hours and a good work environment. Many enjoyed their work and had very strong attachments to colleagues and in some cases considerable loyalty to employers and enterprises.

However, they were primarily motivated to get a job that satisfied (very important) extrinsic factors such as secure wages and the right hours. They tended to have fewer options within the labour market and/or have less saleable skills than vocational employees in the study. These workers, particularly those in retail and hospitality jobs, would have moved industries to get better jobs. However, they tended to have low confidence that this was possible and felt that improvements in job quality (especially in hours) were more likely to be achieved through longevity in their current job roles. Most mature workers in this group lacked confidence that they would be able to secure other employment if they were to lose their jobs, especially those who were long serving and who felt that retraining was no longer an option.

Prime and mature age vocational employees:

- weekly wage range minimum wage-reliant: $550–$894;
- weekly wage range overaward payments: $698–$1,577;
- relationship to minimum rates of pay: varying reliance on minimum wages increases, with strong distinctions based on sub-sectors and training/education levels; opportunity for pay increases via occupational classification structures; opportunity for internal progression based on training and advancement; some opportunity for overaward payments within their occupation; opportunity for wage increases based on mobility; potential for greater recognition of this via pay equity cases;
- minimum wage-reliant representative jobs: childcare workers, aged care workers, welfare workers, employment services workers, and disability service workers; and
- overaward representative jobs: skilled manufacturing workers, career hospitality workers (e.g. chefs and fine dining employees) and administrative officers.

These are employees who had strong vocational attachment to their occupations and/or industries and often their jobs. They had a ‘calling’ to stay in the sector. They generally found the inherent qualities of their work deeply satisfying. In some cases they ‘put up with’ difficult extrinsic job factors (long hours, work intensification and relatively low earnings) to stay in the work to which they were vocationally attached. The gap in wage rates between the minimum wage-reliant and overaward recipients is considerable. In some cases this is counter-balanced by the excessive hours worked by some of the overaward employees. It could be argued that the average overaward hourly rates of pay for these long-hours workers are much closer to those of minimum wage-reliant employees than would initially seem apparent.
Employee experiences in context

Layered across each of these groups is a further set of critical variables that shape different employee experiences. They are as follows:

- the nexus between hours, wages and categories of employment;
- relative reliance on earnings to support the household;
- time and capacity to undertake paid work (caring, health and learning);
- conditions in the local economy and labour market; and
- structural supports in the enterprise.

4.3 The nexus between hours, wages and categories of employment

Employment experiences were clearly shaped by employment structures and practices at the worksite. Hours, wages and categories of employment are profoundly interlinked in terms of employee experiences and aspirations. How all of these factors played out for the individual shaped their earnings and their capacity to have a fulfilling life outside work.

It became clear that at different points in people's lives, various elements in the equation were prioritised over others. Compromises were being made by employees in attempts to satisfy competing demands between their work and their non-work lives. Their capacity to achieve an employment outcome to meet that end depended upon their relative labour market power, their standing with their employer, and the nature of the work they performed.

It was apparent from interactions with employees that hourly rates of pay tell only one part of the story of earnings. Weekly take-home pay was generally of greater relevance to many minimum wage-reliant workers. This was the amount from which they paid rent or mortgages and their weekly groceries. In many cases, the weekly pay was highly dependent on the hours that they worked: both the number of hours and the pattern of hours, which determined any loadings that might be paid. The security and predictability of those hours and wages were often mediated through specific categories of employment: whether employees were casual or permanent and whether they were part time or full time.

4.4 Reliance on earnings to support the household

Another critical factor in shaping the experience of employees was the importance of their earnings to the household. This drove the measures people took to relax or maximise their earnings. It also shaped the risks they were willing to take to change their employment circumstances. It affected whether they felt able to drop short-term earnings to enhance their future capacity and whether they felt able to exit jobs they were dissatisfied with.

Participants in this study described the following context shaping factors that determined the relative importance of wage-earning within their lives:

- earnings relative to other householders;
- debt levels (i.e. mortgages etc.);
• household profile—degree and nature of dependence; and
• status of financial savings.

These characteristics were not static. At different stages in the life course, the centrality of an individual’s wages in their lives shifted. Family size and shape transformed, health and wellbeing changed with age and misfortune. At the extreme end of the spectrum there were individuals within the study who had recently experienced radical shifts in their need to earn due to catastrophic life events. These factors could lead to an increased need to earn or a reduction in the capacity to earn. They included events such as losing all savings in a financial collapse; losing an uninsured home in a fire; illness, or illness or death of another breadwinner. Less extreme drivers included moving towns to care for ageing parents, having children, marriage breakdown, young people moving in and out of independent living, and gaining mortgages or personal loans.

A handful of participants relied on other forms of income and/or support in addition to declared earnings and wages. Some very low wage earners had government health cards to assist with the cost of medical matters. Others had family members who contributed income from pensions and other government benefits. These employees were conscious of the impact their earning had on the level of those benefits and it influenced their decisions about employment. In one case, it meant that a worker weighed up the financial benefits of working at all. A young woman in the study described needing to work at least 15 hours a week over a two-year period to become eligible for a certain government payment. Overall, though, only a few of the interviewed employees mentioned receiving some form of government assistance.

Some employees working in non-profit organisations in community services were eligible for attractive salary sacrifice provisions that boosted their take-home pay by reducing their taxable income. A small number of hospitality workers were also able to supplement their take-home pay with gratuities. In some cases, this increased their earnings by up to $150 a week, but was highly dependent on how many shifts were being worked and the type of establishment they worked in.

4.5 Time and capacity to undertake work

A number of workers in the study had other critical commitments that impacted on their paid work. They were people (primarily, although not exclusively, women) with caring responsibilities for children, siblings and/or parents. This created specific challenges in balancing work and life, but there were also strong indications that caring responsibilities impacted directly on people’s earnings in two ways—firstly, those who needed part-time work had their job opportunities narrowed and they gravitated to lower paying jobs, and secondly, they were earning less because they were working fewer hours.

While many of these individuals were under considerable pressure to contribute to household income, their capacity to find work that fitted with their unpaid work limited their labour market options. Their requirements around hours tended to dictate the types of jobs they were able to access and narrowed the field of possible employment.

The types of jobs that were compatible with their hours requirements could lead to under-utilisation of their skills and lower pay than they might otherwise have expected. In some cases, women had returned to work in minimum wage-reliant jobs from higher paying roles. There were examples of people moving to physically support family members, and in the process, shifting from higher to lower paying jobs in suppressed local labour markets. One pregnant woman in the study expected that on her return to the workforce, she would take jobs of a lower quality than the one she currently occupied.
4.6 Conditions in the economy and labour market

Economic and local labour market conditions impacted upon people in two main ways. Firstly, the cost of living appeared to vary considerably between locations and this impacted on the real value of their earnings. Secondly, the vibrancy and health of the local labour market determined the range of jobs that people were able to secure and the consequent options available to workers. In some cases, this led to employees accepting employment conditions and practices they were dissatisfied with but felt unable to change.

4.7 Structural supports in the enterprise

Some employees enjoyed more supportive employment structures within enterprises than others. These employees were more likely to work in large enterprises that had better internal career paths, and which provided enhanced conditions, including paid maternity leave, paid study leave, flexible working hours, and enhanced superannuation benefits. Some employees in small enterprises also described discretionary acts of significant support from individual employers.

4.8 The adequacy of earnings to cover the cost of living

Overall, minimum wage-reliant employees in the study described a lifestyle characterised by managing household budgets from pay-to-pay, with little capacity for saving and persistent increases in the cost of living. This was particularly acute among non-student employees who were earning low weekly wages.

As has already been discussed, the value of an employee’s earnings varied depending upon their circumstances. Given the relatively wide range of earnings and the diversity of employee circumstances in the study, employees’ spending priorities differed significantly. Not surprisingly, the lower the individual’s weekly income and the further their earnings had to spread, the more difficulty they had in covering what appeared to be basic living expenses. Younger employees not engaged in study regarded their low wages as a barrier to living independently and starting their own families. Prime age and mature full-time workers in manufacturing in particular described finding it difficult to meet their basic expenses. Location also appeared to have a significant effect on the cost of living and low income earners living in inflated housing markets expressed particular difficulty in covering basic costs.

4.8.1 The rising cost of living

Despite the fact that there was no specific question asked of participants about the cost of living, a large number discussed cost-of-living factors and how these affected them. Many participants observed that wages were not keeping pace with increases in costs. Employees across the different sectors described grocery prices consistently rising, difficulty in covering the costs of running cars due to ongoing maintenance and petrol prices, and the considerable impact of housing prices:

‘The cost of living’s just gone through the roof which is why my husband’s sitting on a picket line. Everybody we speak to is the same, we all need to earn more money just to cover basic costs.’ [Permanent full-time retail assistant]

‘I struggle from payday to payday. Mind you, overall expenses have gone up.’ [Permanent full-time community service worker]

A majority of prime age and mature workers interviewed at manufacturing sites expressed difficulty in meeting basic living costs. In many cases, these employees had full-time and stable hours of work. This weekly earnings stability was offset by very low hourly rates of pay with very limited access to extra hours (overtime) or penalty rates (shiftwork). This meant that their weekly pay rates were lower than some workers who were able to enhance their earnings with loadings:
‘I always tell the boys here, “Hey, you’re paying a mortgage, how do you manage to live like that?” ... I can’t, I don’t have a mortgage. When I go to the shopping centre and all that I see the prices … we can’t afford, like what we used to spend we can’t spend like that, we can’t buy things. I used to do the shopping, I used to pay the bill, even I ask my boss, “Do you pay your electricity bill? Do you know how much the electricity bill and water bill?” and what we compare now, see the money is not enough. If we got overtime then we can balance it a bit out. If there is no overtime the money isn’t there, really we are suffering.’ [Permanent full-time process worker]

‘I don’t think it’s fair because sometimes it’s not enough to pay the bills, pay the rent. So sometimes not enough.

Q: ‘Not enough to live on?’

A: ‘Yeah, like 15 something or 16 dollars an hour is not enough.’ [ Permanent full-time process worker]

4.8.2 Location and the cost of living

Location was regarded as having a significant impact on the cost of living. While employees across the study’s range of locations reported that the cost of living was increasing, some workers were paying a premium to live in certain areas. Employees described high rental prices or not being able to live near where they worked, balancing out the cost of petrol with proximity to work. Two regional locations in particular were regarded by the employees who lived in them as having inflated local economies. In the following instance an overaward employee describes how in his years as a minimum wage-based apprentice he was unable to move to the city to take up an opportunity to enhance his future earnings. This illustrates how employees are constrained from moving location due to the relative cost of living:

… when I was an apprentice I lost out on a lot of opportunities to move down to [state capital city] and stuff like that. I had a chance of working at [top tier restaurant], but I was only a second year apprentice and I couldn’t afford to live down there with those wages. [Head chef, bistro/restaurant]

Similarly, an apprentice earning a very low income explains how difficult it is to survive in a town that services a large regional mining industry. In his view, and this was echoed by other participants who lived in the same area. The presence of ‘mining money’ pushed up prices for ‘normal’ earners. This has had a big impact on the value of their wages, which had remained stagnant for some time:

… the price of everything’s gone up because of the mines. The wages have just stayed the same. You can’t find a decent house for under $250 a week rent. And petrol, food. Everything … Everything goes up with the mines because they think, well, the mines can pay for it. And then the people that are still on a normal wage struggle. [Apprentice, regional centre]

Several participants discussed moving from their current residence to another in an attempt to reduce their costs. Young people were contemplating group housing, moving to cheaper suburbs and generally downgrading their accommodation. Other participants described moving from cheaper locations due to family responsibilities and how this had reduced their earning capacity as well as increasing the cost of living.

4.8.3 Household structures, income and debt

The level of total household income appeared to make a significant difference to the capacity of employees to cover their basic living costs. However, there was no single factor that determined employees’ capacity to cover costs: household structure was coupled with other factors including the level of other household income, the degree to which household income had to support other family members, and the priorities and pressures people had in terms of spending and debt.
At least two participants had recently lost other sources of income in the household due to a partner ceasing work. In these cases, participants believed that they could manage on one income for a while, using reserves and tightening spending, but feared that in the longer term it was unsustainable. The following employee explains how having a dual income has made her life far more comfortable than if she was earning on her own:

That will be answered in a couple of weeks depending on how long my husband’s not getting paid for. Two wages coming in yeah, it’s manageable, it’s fine, you manage to save up for things. One wage coming in—we can’t do it for too long, no. If it was just me, I certainly couldn’t have what I’ve got on my own. [Permanent full-time retail assistant]

The benefits of having a higher earning partner contributing to the household income were expressed by several participants. They were less concerned about their capacity to meet their weekly expenses than other employees and in some cases described being able to save for holidays and service mortgages, in contrast to others in the study whose minimum rates of pay were the primary source of household income. Employees explained their situations with regard to their partners’ earnings:

‘He’s got a good job and good super. We’re not by any means rich, but we have enough to do what we’ve got to do. In [regional town] the cost of living is not like it is in Sydney or Melbourne. We’ve got a new house that we’re paying off and we’ve been able to help the kids do things that we wouldn’t be able to do if I didn’t work for instance. So things are good. We don’t go without a lot, but then we don’t have a lot of extravagant things either, we just do the basics.’ [Permanent full-time retail assistant]

‘I guess you can say my wages pays the food and the rest of the money is mine to do with what I want. My husband pays all the bills, that’s how it is at the moment anyway.’ [Casual part-time bar and gaming attendant]

One of these workers went on to explain that despite their relative comfort, they intended to cut back on their superannuation contributions because they were falling behind with other payments. This highlights the diversity of views with regard to what people consider to be essential or non-essential costs.

Dual income status was no guarantee that an employee’s financial situation was either comfortable or secure. In some cases, their partner’s earnings were also low and irregular. For others, significant events had set them back financially and resulted in considerable losses that were going to take some time to replace. The following participant described such a situation and explained how her low income was just enough to cover the rent for her family:

Q: ‘How important is your wage to the household?’

A: ‘Very important, you can’t see, we had a house fire when we were in [regional town], which is about six years ago, so we basically had to start from scratch because we’d just moved from Queensland, we were renting just for a little while, for a month so I hadn’t changed over the insurance, so we got nothing, we’ve really had to start again. So at the moment we’re working to just rebuild and get another house, and rent in [current location] is very high, so like $415 a week which is nearly all my wage.’ [Permanent part-time office manager]

Single-income earners in multiple-member households found it very difficult to cover costs on low wages. The following employee worked two jobs to earn enough to cover their modest needs. The family had previously earned significantly less income while farming, but had found moving to town and earning higher income did not lead to an increase in their standard of living because they were less self-sufficient and had to buy everything that they needed:

‘Wages well, …When we were on the farm we weren’t earning a lot of money, but by the same token we didn’t need a lot. But now that I’m earning money, it’s more money than I’ve ever earned but it’s still—I’ve got to run a house and buy in everything.’

Q: ‘All your food comes in.’

A: ‘Yes. And it’s probably sometimes it’s just not enough. But you’ve got to do what you’ve got to do.’ [Part-time worker with second casual job]

Student employees were generally the least concerned about the cost of living. This was most likely due to the fact that each of the full-time students interviewed was living at home and being supported by their parents. They used their earnings for discretionary spending and in some cases, as explained below, they were able to save money from their very low weekly earnings. They were conscious that the wage rates they earned were low but were equally confident that when they finished their studies they would be earning much higher wages:

‘I don’t know, it’s enough for now. I don’t do a lot of things, I only go to uni and stay at home on the weekends, so I still manage to save money.’ [Casual student retail assistant]

However, young workers who were not studying were finding it hard to make ends meet. Those who lived independently struggled to cover their weekly costs. Those who lived at home explained how difficult it would be to move out given the inadequacy of their incomes. The following young woman living independently described the difficulties she experienced in getting to and from work in a busy city and how she found herself with very little money once she paid for parking fines and petrol:

‘Yesterday, for example, if you take out my meal and my parking fine and the $20 petrol that it takes to get here, it actually cost me $3 to come to work for eight hours yesterday. So it’s not really—that’s kind of why I need the other job.’ [Casual full-time bar and gaming attendant, with second job]

Some young people were contemplating changing their living arrangements to make rent and other costs more affordable. In some cases, this included moving from cities to regional towns where they believed living expenses might be more manageable. Some young people put considerable thought into saving costs and budgeted closely to make sure they made their way:

‘… my rent’s so high … I think that’s what does it to me, that makes me poor at the end of each week pretty much, but it’s something you can live off.’

Q: ‘So what are you paying in rent?’

A: ‘$180 a week just for a one bedroom unit, but I’m hopefully going to be moving soon into a house with three other girls, so I’ll pay only like $125, so that’ll make it a lot better. I’ll have to travel more but I’ve only got a small car so it shouldn’t make that much difference, because I used to put $50 away a week, but I just haven’t been able to do that because I just can’t afford it.’ [Permanent full-time retail assistant]

Several young workers would have preferred to be living independently where they were managing their own households. They felt the pressure of being a burden on parents and grandparents, but moving out was not seen as possible within the constraints of their earnings:

‘… when you look at the wage compared to how much everything costs, and your rent and that, it’s probably not fair. Like, by the time I take my rent out, my loan for my car and whatever else and my living expenses, I’ve pretty much got shit all left.’

Q: ‘Do you pay board or anything like that?’ A: ‘Can’t afford it.’

Q: ‘Would there be any chance that you could move into a flat?’
A: ‘No way. Not unless I wanted to go bankrupt.’

Q: ‘Would you want to go and live in a flat?’

A: ‘I’d want to, if I had enough money, but just can’t afford it.’ [Casual part-time bar and gaming attendant]

Other young people who had been in secure employment were starting to think about the future and their capacity to support families. These two direct care workers discussed between them the difficulties they anticipated.

B: ‘I’d hate to support someone on my wage.’

A: ‘I’d really have to plan that element of my life before I did that. Like, I’d have to save for my maternity leave, I’d have to save so much, like if there was plan of that happening, but yeah things do change, but I know for a fact there would have to be so much planning involved.’

B: ‘My girlfriend wasn’t working for about three months, and that was possibly the hardest three months I’ve ever gone through, I was so broke during that three months. … We did nothing for that three months, really, we sat in the lounge a lot and I was still broke. I was like, where is it all going?’ [Community service workers]

The two go on to illustrate the importance of the lifecycle to earnings, shifting priorities and maturing household needs, and how low wages preclude what many would consider fairly modest aspirations, such as being able to live independently. Both were hoping to buy houses or live independently, but did not have sufficient earnings to do so. One had moved back to live with parents in order to save money. To live independently, with rent of $300 per week (‘that’s at a cheap place’) and general living expenses such as food and petrol, would require constant vigilance and discipline over spending. Certain elements seen as basics by some were unaffordable. They added:

A: ‘… my [car] battery died this week, if I wasn’t living at home my car wouldn’t be going.’

B: ‘I don’t own a car. If I had a car I’d have no money at all.’

A: ‘I would have to give up my car to live by myself.’

4.8.4 Wage increases and cost of living

Very few people could recollect receiving wage increases beyond classification increments of some kind so were generally unable to link wage increases with their capacity to meet the cost of living, or to consider how specific increases had an effect. Those who could recall central wage increases regarded them as having a limited impact on the income pressures being experienced. However, one participant described the benefits of being able to anticipate and plan for increases in his wage. He worked in an enterprise that over the preceding three years received guaranteed annual wage increases (these were state wage increases to the relevant award of three per cent over a three-year period). He also explained the extra capacity he got from shift penalties on a relatively good base.

‘It’s allowed me to actually buy a car knowing that I’ve got an idea, an x amount of money aside, but I’ve also been able to increase that so that I’m paying the loan off quicker. I’m allowed to go to uni; I couldn’t afford to go to uni. You just get a better quality of life, it’s just easier to … with being all shiftworkers, it lets you know today’s going to be a good pay because you’ve got an extra shift so you can go off and do whatever, or my rego’s due so you can pay that little bit extra this week and make it up next week, do you know what I mean? You’re allowed a little bit of flexibility. I’ve got to save for a holiday, that’s my next thing.’ [Permanent full-time community service worker]
4.9 Structures and patterns of employment

Employees frequently described tensions between earning enough, having enough time for non-work matters, and security of employment. Most of their discussions around work interwove these issues. It was less common for employees to isolate out wages, hours or their category of employment for comment. Rather, they discussed how these aspects of work come together to shape their work and lives.

The link between hours and earnings is particularly acute for those employees in non-standard employment who rely on low minimum hourly rates of pay for a key component of their household income (i.e., they have to work more hours to earn a living wage to support themselves and/or their household). Both the number of hours worked and the pattern of those hours are very important features of people's employment. They directly determine the earnings of employees through the number of hours worked and the penalty rates they attract, and they establish an employee's capacity to undertake a job and optimise their earnings.

Hours matters are important to people in terms of how many hours they work, when those hours are worked, how shifts fit together (rosters), and how predictable, regular and flexible they were. These factors impacted on people's capacity to have what they described as meaningful and enjoyable lives beyond their work.

Most employees regarded particular categories of employment as being able to deliver different degrees of security. Casual work was regarded as convenient by some and insecure by most. Permanent employees were conscious of being fortunate in having security and were reluctant to jeopardise their status by moving jobs. However, as with hours and wages, security of employment was another aspect of work that was part of the overall balancing act and highly subject to compromise. Some employees accepted casual work to get the hours they wanted. Some permanent workers would have preferred fewer hours, but prioritised security. Others wanted an increased hourly rate, but needed regular stable hours and earnings to pay weekly bills. The following section discusses these issues and the range of employee experiences in greater detail.

4.9.1 Balancing hours and wages

4.9.1.1 Underemployment

Underemployment among the employees in this study was most common for casual and part-time employees. Some of them struggled regularly to get enough hours to earn a living wage, while others experienced fluctuations in their weekly hours leading to very steep variations in their weekly earnings. Two prime age employees described having to ask for money from their parents in short-hour weeks to cover rent. Others explained how they were unable to live independently due to the insufficiency of their wages to consistently cover their basic living costs. The following part-time community service worker was one of several people looking for a second job to improve their earnings. Here she describes losing shifts and the impact on her family:

'We didn’t go out for tea very often but we wouldn’t have minded a bottle of wine here and there. So those sorts of things you’ve cut back on. It’s the start of the year and I’ve got school fees, school uniforms and then to lose half my wage when you’ve got to pay for everything has made things very, very tight.'

Q: ‘What are your options? What does it mean for you here?’

A: ‘I’ve already got a reference from [employer]. I’ve gone back to the [previous employer] and told them I’m available. They’re starting up a casual bank [labour pool] … and I’m the first person that they will get.’ [Permanent part-time community service worker]
In all cases of underemployment among employees in the study, the employees concerned were contemplating changing employers or seeking second jobs to make up for short hours in the enterprise. However, most had already experienced difficulties finding other work, especially those people living in areas of high unemployment. In one case, an individual had worked seven months as a volunteer to secure her current employment. People's capacity to take on a second job was also constrained by their unpaid responsibilities. In some cases, the available jobs in a local labour market had hours that many carers could not work.

Other employees, particularly those in manufacturing, had relied on overtime to supplement low wages. This work had progressively dried up at most sites due to various downturns. Hospitality casuals were also losing shifts on the tail of the GFC. This was having significant effects on their capacity to pay basic living costs, as described by one employee:

‘At the moment I’m earning about $500.’ Q: ‘Weekly?’
A: ‘Yes. It’s not enough when you’re paying more than a thousand dollars a month in rent plus bills plus phone bills. There’s nothing left. That’s just embarrassing.’

Q: ‘So this money, is that supporting other people at the moment or is it just you?’
A: ‘No. It couldn’t. Mum and Dad help me out all the time. I’m way too old to be asking …’ [Part-time waitress working casual patterns of hours]

4.9.1.2 Multiple jobs

Some people were either seeking to work beyond their full-time hours or were already working multiple jobs in excess of a standard week to meet their financial goals or obligations. This was a feature mostly associated with employees on relatively low rates of pay.

Some vocational employees with strong labour market options showed significant dedication to their current jobs. Despite the need to earn more, they often prioritised work satisfaction over earnings. The following man was committed to the point where he sought to supplement his wages with a second job to be able to afford to remain with the organisation:

‘I want to work for this company and when I actually went with my proposal to my manager to say it, I said, “The pay’s not enough, that’s why I’m thinking of doing extra hours…[elsewhere]” and I said, “It’s no reflection on you or the company, it’s just the pay, and instead of me going and looking for another job and starting a new job, I’d rather stay here and do extra work on top of it” because I said, “I don’t want to leave this job. I actually like this company”. To be honest with you, if there was changes with the pay, this will be a company that I’ll probably never want to leave, to be honest with you.’ [Community service worker]

Employees working hours beyond a standard week tended to have limited obligations outside work, but significant pressures to contribute earnings to the household. In one case, a woman working to support herself and a husband who was unable to work due to an industrial accident was employed in two part-time jobs and a casual job, working approximately 42 hours a week including night shifts, and would have willingly taken on extra hours had they been available.

A young woman found herself in a debt cycle, where she felt she was working too many hours for her wellbeing (working seven days a week in two jobs) but needed to keep both jobs to pay her bills. This meant filling shifts for two employers whenever she was needed:
‘It sucks, but I can’t not, because then nothing gets paid and then I get real stressed and …’

Q: ‘So how long do you think this pattern of hours will go on for? Have you got a limit to it?’

A: ‘Yes, as soon as I pay off all my bills then I’ll stop doing it. But then it’s like when I say that I get another speeding fine or I get another—I’ve only got an extra $50 to $60 to myself every week, apart from my bills, so if you get a speeding fine one week that’s like you’ve got to save for a month to pay it. So it doesn’t really—probably won’t let up for another couple of months ...’ [Casual full-time bar and gaming attendant]

There was only one employee who self-identified as chasing hours for what he described as specific lifestyle reasons, claiming he did not need the extra hours, rather that he wanted them to enable him to save for a move overseas. This young man, who worked a full-time job in another sector, used his casual hospitality hours to supplement his saving regime:

‘I’m consistently per fortnight working between probably 50-ish, either side of 50 hours a fortnight which is ideal for me at the moment while I’m trying to save some money for everything. I have a whole lot of registrations to pay for, for ... the United Kingdom working and it helps out while I get those hours. I don’t feel any pressure particularly that if I worked fewer hours than that, that that would be a problem, it’s just that at the moment I’m really kind of begging for hours.’ [Casual part-time bar and gaming attendant, second job]

Several employees also explained that penalty rates were keeping them financially afloat and that without them it did not seem worth working those hours. Low-paid workers in both hospitality and community services direct care jobs explained that weekend and night work was essential to their take-home pay and that without the extra loadings attached to these hours, it did not seem worth working them, given the impact on their family and social lives.

4.9.1.3 Taxation thresholds

Low-wage earners frequently mentioned the impact of tax thresholds. A considerable number of people in the study kept a very close eye on the amount of tax they were paying each week. Even where they could be sure of getting money back in their tax return, it was the immediate weekly earnings that appeared to have the strongest influence on people’s behaviour:

‘I look at it, [payslip] but the first thing I look at is my tax. Sometimes I double-check on my hours. If they paid me like the hours I did, or just in general I just look how much I’ve got to, I look at the amount I get after my tax and then I know how much I have to budget for the week.’ [Casual bar and gaming attendant]

Several low-paid workers seeking to increase their earnings by working extra hours were dissuaded due to the impact of taxation thresholds. These workers had established that working extra hours beyond a certain number increased their income to the point where they would be pushed up into the next tax bracket. This reduced their hourly rate of take-home pay and several employees described feeling like they were working an extra shift for free. In effect, they regarded the extra effort expended in working the additional hours as ‘not worth it’ for the money.

In some cases, casuals found it difficult to negotiate the fine line of the tax threshold with the pressure to accept shifts to maximise their income. This was also most apparent for people paying back HECS debts who tried to limit their hours due to the impact on their weekly wage:

Q: ‘If you could choose the number of hours you work each week, taking into account how it would affect your household income, would you want to do more or less or the same?’

A: ‘When it comes to the tax bracket, probably about the same, because if you earn too much more they take too
much off.’ [Permanent full-time bar and gaming attendant]

‘Last year I was doing maybe 50 hours and it’s dropped back to between 20 and 30 ... But then if you do more than 50 hours on a casual wage, you get taxed because you go up to that next threshold and that extra 10 hours you’ve done, you don’t see a cent of it, it all goes in tax.’ [Casual waitress]

‘... because we have a threshold with uni [university], if they think the pay we get each week is going to total to over $39,000, they will tax us extra, and at the end of the financial year, if we don’t get the $39,000 the extra tax they take off us, we get back, but if we hit the 39 and over, we lose it. So I think I did 50 hours one week, I got taxed $340. So I pretty much worked for free for one of the days.’ [Casual bar attendant and duty manager]

4.9.2 Balancing hours and wages with life

Many participants were struggling to achieve a balance between their work and life. This tended to be most pronounced for individuals with unpredictable hours, excessive hours, intensive hours or hours that were unsociable (for example weekends, nights and public holidays). Many workers recognised the trade-offs they made in terms of wages and working hours and their broader responsibilities and wellbeing. Individuals who highly valued time with family, socialising, and pursuing other interests expressed concern about the time they were working which could be spent building a more meaningful life beyond work.

Others valued penalty rates over free common time and some felt they had little option but to work shifts due to their financial circumstances, the nature of the industries they worked in, and their vocational choices.

Night shifts in hospitality and sleepovers in the community services industry were seen as taking a toll on workers, but in some cases the unsociable hours made those jobs financially attractive for people who could manage them. The following comment from a young hospitality worker describes how working weekends meant she was better able to manage her finances because she was not spending money on socialising:

‘We usually get two days off a week, and not necessarily do we have two days off together, it’s split. We don’t have a social life on the weekends, our weekends are like either a Wednesday or a Tuesday or a Monday, and you can’t do much anyway. It has its pros and cons not being able to work on the weekend because you are earning money, not using it.’ [Casual bar and gaming attendant]

The capacity to privilege work over non-work is generally not shared beyond independent workers with no family obligations or parents with non-working spouses. Several employees working very long and unsociable hours who as yet did not have children speculated, on how it would be possible to manage having a family under their current working arrangements. Some shiftworkers were aware of their relative freedom to work non-standard hours compared to people with family responsibilities:

‘For me it’s like probably one of the main things that I could change is try to make it a little bit more fair with the amount of hours that you work. Because at the end of the day it’s not just the money because if you’re married and you have a family or you have kids, it’s like you don’t want to work 12, 13, 14 hours a day, you will want to spend some time with them. But in the situation like the way that the industry works now, if you do that, that means that you probably lose 20 per cent of your salary or sometimes more.’ [Overaward recipient, chef]

‘You’ve just got to adjust to it, it’s like anything, I mean I’m fortunate that I don’t have any family living at home with me at the moment and I don’t have a husband so I don’t have to report to anyone or feed anyone, get anyone’s food or whatever ready at home, so it doesn’t worry me as far as the hours go. I like having the days off now during the day.’ [Part-time shiftworker, Community Services]
Student casuals were often relied on to work weekend and night shifts in retail and hospitality worksites. Sundays were popular among students for the penalty rates they attracted. Most students working unsociable hours were accepting of the need to do so. They understood that it was something they would do in the short-term but that it would stop once they were working in full-time jobs in their chosen careers. However, some university students were concerned that working too many shifts impacted negatively upon their studies. As one young man who lived at home with his parents and wanted fewer hours pithily replied when asked what he would do if he didn’t work, ‘I’d probably become an HD [high distinction] student.’

Young non-vocational workers who lived independently had trouble finding the time and money to undertake further training or education. A young woman with a strong interest in studying a trade to improve her prospects in her current area of work could neither afford nor find the time to attend TAFE. Another young woman explained that she had left university after three years because she could no longer afford to support herself or find time to continue her studies:

‘I want to do that one day, just too expensive at the moment to do it [TAFE training]. I’m living by myself so it’s a bit hard to do the job, or the two things at once.’

Q: ‘Have you ever talked about it with [your employer], doing it as part of work?’

A: ‘Sort of and haven’t really got into it, mainly just because where the TAFEs are located, I’d miss out on too much work travelling to the TAFEs for the night and then all the afternoon, and then come back, and I think apprenticeships, I think [co-worker] was mentioning that it would be lot less of a wage, whereas I can’t afford that with living by myself rent-wise to do an apprenticeship, I just couldn’t afford it.’ [Permanent full-time retail assistant]

‘And then I just couldn’t afford to go any more. Like, when you’re in a place you’ve got to pay your rent and even just the contact hours, not including the study hours you need to do at home, it was just taking too much time out of my day.’ [Casual bar and gaming attendant]

While some workers were happy working shifts and appreciated the associated earning benefits, others, particularly those who sought common time with family and friends, wearied of night and weekend work and the unpredictability of some roster patterns, and hoped that in the future they would be able to change to arrangements with friendlier hours. However, the precarious nature of the jobs inhibited some employees from refusing shifts, despite that fact that they were casual. Workers felt that if they refused ‘too many’ shifts or failed to work back when asked they would lose ‘regular’ shifts on future rosters:

‘I tend to more schedule personal life around my working life than the other way, just because I tend to find—I don’t even know if it’s a validated feeling—but I tend to feel that if I start to kind of hand back shifts or don’t particularly want shifts I will tend to get fewer hours in the future. What I tend to do is because I have the option of the day off at my other work, I tend to try and organise my personal life around that kind of working life instead of the other way around.’ [Casual bar attendant]

Other workers in the study, particularly those who worked in direct care roles in community service organisations, talked about how intensive their jobs were and how there was a limit to the number of hours they would work given the nature of their jobs:

Q: ‘If you were paid for additional hours would you prefer to work more?’

A: ‘Yes and no. Sometimes I literally go home emotionally and physically drained from this job. Seven hours doesn’t seem like a lot for some people, but when you’re working constantly with people and hearing really, sometimes they are really depressing stories, and with people who are depressed … Sometimes I couldn’t imagine working anymore, so for me I would, if there was an increase in pay I would hope that it was an hourly increase, rather than having to work longer hours.’ [Permanent full-time community service worker]
Q: ‘If you could choose the number of hours you worked each week, taking into account how that would affect your income, do you think you’d choose the same number of hours that you do now or more or fewer?’

A: ‘Probably the same. But just at a higher rate. Because it’s very stressful work, it’s extremely stressful and you don’t realise how stressful it is until you get home and you’re absolutely exhausted. It’s very mentally exhausting, it can be very emotionally exhausting. I think last year, three clients died and that does affect anyone who knows them. There were suicides and accidental deaths. So there’s all those additional factors that go with our job.’

[Permanent full-time community service coordinator]

The nature of direct care work often led to unpaid hours and most community service employees admitted to working extra hours just to be able to get their work done. Community service employees tended to work regular extra hours for which they did not get paid. While they would have preferred to work their contracted hours, nearly all recognised the difficulties in regulating their hours to fit a weekly standard. However, others felt their dedication to the job was being exploited by employers and funding bodies. It was due to the nature of the work and their commitment to their roles that they were working beyond their standard hours:

‘I don’t think there’s anyone that works for us that doesn’t give some of their time at some stage or other. If there’s an emergency, we have very committed people, and there’s no way someone will say “Oh, it’s 3:30, it’s time to go home.” If there’s something that needs doing, you know?’ [Community service welfare coordinator]

‘Not when I worked at the crisis refuge, because you couldn’t leave, you had to be there or you might have had a kid who’d suddenly disclosed something, and you can’t say, “Sorry, I’ve got to leave.”’ [Community service youth worker]

Several employees undertaking supervisory roles described working extra hours to alleviate pressures on the business and the workforce. They described working longer hours to allow other staff to go home. A community services coordinator explained how she tended to work extra weekend shifts to avoid having to use agency staff because this unsettled clients, which in her view led to work intensification for workers on the following shifts.

Overaward rate chefs in particular stayed at work for very long days to finish their work.

Overaward recipient workers, particularly those in hospitality, were working very long hours. This ranged from 55 up to 75 hours a week depending upon their role, the nature of the enterprise and seasonal demand factors. Their salaried overaward payments meant they worked as many hours as the job took. They discussed the implications of excessive hours on their lives, but also explained that to follow their vocation they had accepted that long hours were a part of the commitment:

‘It’s very demanding on your time and your life. It’s really a lifestyle based thing. It would be good to be able to do this and have more time for yourself as well and family. But that also comes down to yourself. You need to make the decision of what you want to do.’ [Overaward recipient, hospitality worker]

While salaried staff felt they were paid well for the jobs they did, it was clear from the hours that they worked that their actual hourly rates of pay were closer to award rates than they seemed at first glance. The highest paid salaried worker in the study earned $82 000 a year for an average of 60 hours per week. This translates to approximately $26 an hour. To further contextualise the rate, this employee generally worked at least one day each weekend and nearly all public holidays:

‘So basically if you want to get paid a good salary you have to work from nine in the morning until 11 at night. And for me it’s like I can’t really understand why a manager of a bank works nine or 10 hours a day and they have every public holiday off, and why it has to be different for the industry, for us. I can’t really understand. I’m not bagging Australia because I love Australia, I’m here because I love it but they talk about that it’s a fair country to everybody and always looking after, actually I don’t think that is fair when you look after some industries but another industry you don’t.’ [Overaward recipient, hospitality worker]
4.9.3 Balancing hours and wages with security

Many workers felt that security issues were critical in terms of their work. Employees talked about security in terms of secure employment, with stable and secure hours, which enabled stable and secure wages. Casual work was regarded as the least secure form of employment, with casual employees most likely to experience fluctuations in hours and therefore earnings. Casual jobs also made it harder to receive approval for financing and limited employees’ capacity to obtain home and personal loans. On the other hand, casual hours attracted a wage premium that was attractive to some employees: in particular, those who regarded their jobs as relatively short-term and/or who were under considerable pressure to optimise their earnings, and were working in labour markets where low-paid work was easy to come by.

Non-student casuals, the people most likely to experience underemployment, were caught between the need to maximise every hour of earnings and the security of permanent employment, and came to rely on the casual loading. However, most did not have the option of becoming permanent and felt that the best way of improving security of their hours was to stay in the enterprise and ‘get the better shifts’ that better suited their preferences in terms of hours and pay.

Most permanent workers in the study wanted work that was predictable and stable and regarded casual work as a step down. While it was true that permanent part-time work provided workers with rights associated with job security and leave, permanent part-timers did not have the same security as permanent full-time workers when it came to hours. It was common for part-time workers in the study to experience fluctuations in their hours in both directions (up and down) that were not in line with employee preferences.

Some permanent employees discussed the possibility of shifting to work in local casual jobs to gain a higher hourly rate, but on balance felt that secure hours and secure weekly earnings were much more suitable for dealing with the costs of running a household. This permanent worker struggling to meet the cost of living talked about other retail workers employed by major retailers:

‘Well most of them are casuals, they do casual contracted 10 hours a week so it’d be quite above what I earn, but then I can’t live with 10 hours this week and 40 hours next week. They probably earn better than I do when they’ve got the hours.’ [Permanent full-time retail assistant]

The following employee described being moved from casual employment to permanent employment, recounting how they went through a process of weighing up the pros and cons of one against the other and how on balance the guarantees around regular earnings outweighed the earning benefits of the casual loading.

‘I worked out at the time that I was, on the hours I was doing when I was still casual to the hours I went to, which was the 40 hours and getting sick leave and the holiday on top of that, I worked out I would have still been ahead on being casual if I’d have done those hours. Like I would have got more money on casual, but there was no security that you were going to get that every week.’ [Permanent full-time bar and gaming attendant]

A young worker explained how she requested a change from casual hours to a permanent position, deciding that job security, the capacity to get a loan to buy a car and having access to paid annual and personal leave was more important than the benefits of the casual loading to her weekly income, despite the fact that her casual hours had never fluctuated:

Q: ‘… so you’ve taken a significant drop in pay from being a casual?’
A: ‘About a hundred dollars pretty much. I know I have dropped money which is stressing me out a little bit at the moment, but more that if I am sick or if I do need to go away I didn’t get paid, that’s why I wanted to go full-time. I’d rather be fulltime than a casual, I could get fired, well not that he’d do that sort of thing, but I could, he could decide I can’t afford you anymore, goodbye straight away, whereas I’ve got at least a week to look …’ [Permanent full-time retail assistant]

An employee who had previously been permanent in the enterprise had returned after a bout of illness to a casual position. This worker succinctly puts the case for the benefits of permanency:

Q: ‘Would you be happier if you were actually permanent again? I mean permanent with the hours that you’ve got?’
A: ‘With the hours I’ve got, yes.’
Q: ‘You’d prefer that to working casually?’
A: ‘Yes.’
Q: ‘Can you explain why?’
A: ‘Holiday pay, sick pay, set wage, set hours.’ [Casual bar and gaming attendant]

This sentiment was echoed by a career hospitality worker who had started in the industry 15 years earlier. He had worked 70 hours a week as a fine dining waiter and had come to a stage in his life where working the very long hours associated with restaurant work was now something he was not prepared to do, even for the money. He is speaking here of leave entitlements and having at least a nominal cap on hours:

‘Absolutely, well I won’t work anywhere that doesn’t give me that sort of stuff. Like I said, I’m just too old for a casual wage.’ [Former bar attendant, now assistant manager, hospitality]

On the flip side there was a smaller group of employees who were happy with casual work so they could supplement their wage with a casual loading. Some of these people needed to work shorter hours to fit with study, caring or other pursuits and felt the best way for to achieve this was with casual employment. A woman with a child in long day care had struggled to find work that provided a fit with the childcare days she has secured. She explained that the flexibility of casual work and the loading made casual work more attractive to her at this stage of her working life, going on to say that in her previous job she had felt ‘guilty’ when taking time off to look after a sick child. She also explained that permanent part-time work with leave entitlements was very difficult to find in the pattern of hours that she needed. It was easier to settle for casual work, and avoid pressure at work, while having the loading to enhance the hourly rate:

Q: ‘So what makes you stay here at the moment?’
A: ‘The fact that it’s stress free, it’s easy. If I need to take a day off because my child is sick, I can.’
Q: ‘So to a degree, the casual nature of it is actually beneficial for you. You’re happy doing that and part time.’
A: ‘Yep, also the money. I prefer the extra money coming in. It’s such a big drop from casual down to a full time.’ [Casual retail assistant]
Other workers wanted the wage premium associated with the casual loading and were generally confident that they could regularly secure the number of hours that they needed. This generally meant they were in a good position within the enterprise to get suitable shifts, although they recognised that they were taking a risk and forgoing other potential benefits:

‘... that’s why I’m happy that I’m casual, but I’d like, because I wanted to buy a house like last year, but I didn’t think I had the security to buy one even though I get pretty good pay and I’ve been here for a long time, but I could be sacked or I could want to quit tomorrow and then I’m stuck. So the security is like interesting, but I don’t want to ask for full-time because I’m too comfortable with the money I’ve got now.’ [Casual bar attendant]

4.10 Wage rates, work value and job content

Participants tended to measure their wage levels, relative to others, in a range of different ways. Some compared what they earned with people in other enterprises in equivalent jobs. In some cases, they bemoaned the complexity of their jobs compared to other higher paid occupations. They also talked about what other ‘people my age’ are earning or expressed concern that people much younger seemed to earn so much more than them. It was also notable that some employees were acutely aware of what they considered the enterprise could afford. In more than one case, there had been open discussion between workers at enterprise level, accepting that the state of the business required wage restraint. Conversely, they also believed that they deserved increases in the good times, perhaps in excess of what minimum wage movements prescribed.

The participants in the study most likely to discuss their wages in terms of inequity were manufacturing sector workers and community service workers across each of the sub-sectors. While manufacturing workers were more likely to say that their wages were too low to live on, and therefore were ‘unfair’, vocational workers in community service jobs often took the opportunity when discussing wage matters to express the complexity of their work, the degree of responsibility they had in their roles, and how they saw their wages as failing to reflect the true value of their work:

‘Well, we’re dealing with human bodies here, human minds and families and next generations. I feel what we’re doing is, we’re doing counselling, we’re doing life support, we’re doing suicide prevention, we’re doing drug and alcohol interventions, we’re doing a whole range of things. We’re doing child protection stuff and we’re teaching them living skills, teaching them how to have relationships that are proper and how to be work-ready. And just one of those particular categories, if someone was to specialise and do something, that alone would probably be, what $40 an hour or something, just for that one particular thing. So given that we do everything and get a lower pay, no I don’t think there is equity in pay.’ [Community service worker]

In some cases, workers from non-profit organisations compared their wages to rates being paid for the same job in the public sector to illustrate the shortfalls:

‘This is what I was born to do, absolutely. I thought nursing was, but once I started working with adolescents I found my little niche. I mean, it’s all in the caring category, but I love young people. I still don’t get up of a morning and think “Oh I’ve got to go to work”, I don’t feel like that, I’m very fortunate. And that’s why I don’t mind putting in extra hours. But it would be nice if we were paid for what we did, and valued. We’re doing the same as DOCS [Department of Community Services] and being paid a lot less.’ [Community service worker]

Most full-time community service workers wanted to improve the quality of the service they provided, and while they talked fluently about how undervalued their work was, they were overall deeply satisfied with the content and purpose of their work. Nearly every community service worker described the enormous intrinsic reward they experienced from doing their jobs:
‘I love my job, I really do. I guess working with lots of different people from lots of different areas is a really, it’s a good way to give back to the community. I find it very satisfying because you know being able to just talk to people and really see them at their worst basically, and then seeing them maybe in a month or two when things have got better and, or even the next day, one little thing or one referral that you might have made or something, could just make such a difference, and just giving somebody that little bit of information that they never really had before.’ [Community service worker]

‘It’s rewarding for me to see someone who has been unemployed or has drug and alcohol barriers or has homelessness issues or whatever and then they’re finally on that path of they’ve got a job and they’re starting to make a positive impact to their lives, that’s what I love seeing it just gives me goose bumps. It’s nice to see someone that has been homeless, drug-affected, they’re going through rehab and they’re really trying with our help to fix their lives and at the end of it as a result, it might be a lengthy process …’ [Community service worker]

Non-vocational workers in minimum wage jobs in retail, hospitality and manufacturing were much less likely than community service workers to talk positively about their job content. Most of their enjoyment of work revolved around social factors, having important relationships with co-workers and customers. Having a good relationship with their employer/manager/supervisor was also frequently mentioned as an important aspect of the job and provided a strong incentive to remain:

‘And just everything about the place, it’s sort of family. Very family, we all sort of back each other pretty well. I think that’s why the place has survived just quietly. And people know what they’re doing, quality of staff. And I learnt that very early on too, like within six months I knew what the place was like.’ [Manufacturing worker]

‘I can say when the pay is not enough and all that, it’s like a second home, like we see the boys every morning, we spend eight hours with them and we see them and we go out together sometimes after work and all that, like a second family, most of the workmen here, my boys that work with us. That’s the reason, we see each other. If one guy comes and says he’s resigning I feel sorry for him … See we are like family.’ [Manufacturing worker]

‘I don’t know, probably I actually really enjoy the customer service, especially the old people I love it, because I grew up in this town too, I’ve been here for over 40 years so I know a lot of people, and they come in and you talk about family and things like that, so I sort of love doing that, although some mornings I don’t want to get up and come, I’m a bit tired and I get sore arms and doing stuff like that, working and that.’ [Retail assistant]

In some cases, the best thing that employees could say about their current jobs was that there were worse jobs they could be doing. Most of the changes they would have liked to make to their jobs were associated with improving the hours of work, improving physical comfort or access to more stable employment.

### 4.11 Employee knowledge of wage-setting and wage increases

Neither minimum wage-reliant nor overaward wage earners had in-depth knowledge of the legal standards and processes associated with wage-setting. Those employees at sites with a union presence tended to be better informed about standards and processes than employees at other sites. Most minimum wage-reliant workers felt they had no role in negotiating their wage rates or position on the award classification scale, and some employees in skill shortage occupations (e.g., chefs) were the only overaward recipients who felt they had an active say in negotiating their pay.

**Minimum wage-reliant workers**

Minimum wage-reliant workers were generally aware that their wage rate was prescribed in a legal instrument of some kind, but were hazy about the details. Nor was there any discernible increase in knowledge with age. The following quotes are fairly typical of the general level of knowledge among workers, especially those in retail and hospitality:
'I don't really know what I'm supposed to earn. I don't know. I'm happy to work, I'm getting more than—like I say, more than I ever had before. I'm not worried. I'm getting paid.'

'It's just an award rate. I don't know how they work it out. I never have been able to work that out.'

'I was just told that it was going to be whatever the minimum or whatever the general, the government, whatever it's offering at the moment.'

In many cases, employees started their jobs without having first asked what wage rate they would be paid. In some cases, this appeared to be due to their understanding that there is a minimum rate, and their view that there was no real point in inquiring given that it was something over which they had no influence, either set by the minimum standard or at the discretion of the employer. At that point in time, they were more concerned with securing a job offer. However, some workers appeared reluctant to bring up the subject of wages with employers. A casual hospitality worker believed that if she had asked about the wage rate at the job interview she would have been seen as 'high maintenance' and may have missed out on the job. Overall, employees in the service industries appeared to be more interested in settling issues around hours of work, as these were more likely to be a barrier to doing the job and were more likely to be flexible, while wage rates were regarded as immutable and beyond the control of the employee.

Only a handful of employees were able to explain with any detail the wage-setting practices at the worksite. Some made greater efforts than others to find out what the appropriate rate was. Most were satisfied that they were being paid the correct minimum rate, having sought information from online or telephone advice services:

'I rung (sic) up that 1800 number for the work wages when I first started here just to make sure everything was right. And it is. So I had no problems. So I'm just like you and any other barmaid out there getting the same.'

'I don't know. The one I'm on now is just the normal one straight off the internet I think.'

Most participants were unable to recall their wage increasing as a result of a central wage movement. Employees were more likely to recall changes to their base wage associated with increments, moving up the junior wage scales in awards as they aged, reclassification processes and shifts between categories of employment. Those minimum wage-reliant employees with the keenest awareness of their general industrial entitlements and the practices associated with wage movements tended to be in larger and/or unionised workplaces.

**Overaward recipients**

All the chefs in the study were salaried and described being in a strong position to negotiate their salary levels, but had limited influence when it came to working fewer hours. Most of the chefs spoken to were headhunted and were asked what terms they would accept to move to the enterprise. They all felt able to ask for reasonable increases and in most cases any requests for increases were met. As this chef described, good chefs are in demand and it hard for employers to replace them:

Q: ‘How does that happen, getting wage increases? Do you get a wage increase annually?’

A: ‘Yes you get bonus. Chefs go and say, “I want to change my pay. I want more money.” And usually, it depends where you work, usually they look after you. When it’s a busy period, been working hard, you’ve been doing things right, there is, if they are not stupid they will look after you because if they don’t there is no commitment, you can leave any time.’
Q: ‘And they did ask you to come.’

A: ‘Yeah and for them it’s harder to find somebody else.’ [Overaward recipient, chef]

All other non-salaried overaward employees had direct and close relationships with the relevant award. In the case of employees on loaded hourly rates of pay which absorbed all shift penalties, they were still covered by all other provisions of the award including overtime entitlements. Those workers with overaward rates paid as a premium on their hourly rate were covered by all other aspects of the relevant award, including all penalty rates and overtime loadings. Increases to these overaward rates tended to be at the discretion of management and were more likely to be granted than negotiated:

Q: ‘And were you involved in that wage increase?’

A: ‘No, they just told us. Everyone got $0.50 an hour, some got more, but they just told us. Like we had a meeting and told us it was going up, it got assessed and that and they said, “We’ll put you up.”’ [Overaward recipient, manufacturing worker]

Employees saw these overaward payments as recognition of the very low wages in the sector. Tradespeople also saw them as recognition of their skill level and a reflection of how common overaward payments are for their occupation. These workers did not regard themselves as having skills in demand in the labour market. In two cases, workers were identified by management as being in receipt of overaward wages were unaware of it and believed that they were paid the minimum rate.

4.12 Progression and mobility

This section has examined the different ways in which employees improve their earnings by working extra hours, working shifts that pay a premium and working multiple jobs. It has also been established that these strategies are not available to all workers, and that the benefits they provide in wage terms do not always outweigh the costs associated with earning them.

In talking about what the future might hold for them, or what they might do if they had to find another job, it became clear that very few employees felt they had strong options within the labour market to move or improve their employment. Most people who had that kind of labour market power were already earning overaward rates in recognition of occupational shortages, although, as discussed already, there is some question about the true value of overaward payments due to the extended hours being worked by some employees. Prime age and mature non-vocational employees in retail and hospitality were inclined to see progression as improving the jobs they already occupied by getting better rostered hours or working patterns. Moving jobs was generally seen as counter-productive to job improvement among this group.

There appeared to be two main ways in which progression was viewed: internal progression via promotion or improving the quality of the job; and external progression, or the capacity to move out of their current job to improve their prospects.

4.12.1 Internal advancement

Community services

The legal framework for internal progression was set by the relevant awards, and community service awards were far more likely than those in the other sectors in this study to have classification spines with some depth
and increments within grades. This allowed for a greater degree of internal advancement via promotion (generally linked to a relevant qualification) and through annual increments along the salary spine. Some community service workers actively used the classification scale to negotiate better entry points when starting in their current jobs.

There were apparent barriers to advancement in the community services sector for some. Some employees believed they were under-classified for the work they were doing. This appeared to be a failure to reward employees in line with the classification provisions in the award. Direct care workers also talked about the difficulties in finding time to study and achieve qualifications to enable advancement. Others talked about the minimal difference between direct care worker wages and the rates paid to supervisors. This was seen as a significant disincentive to take up supervisory positions as they saw the burden of the extra responsibilities as not worth the small amount of extra earnings.

**Retail, hospitality and manufacturing**

Retail, hospitality and manufacturing employees had relatively limited provision for wages advancement within their enterprises. Though there was some evidence of workers moving into supervisory roles, this was curtailed by very flat internal structures, especially in small and medium-sized enterprises. Most workers in these sectors accepted that they were unlikely to advance internally into more senior roles. There were also several instances in which employees believed they were under-classified. These employees were of the view that they had taken on supervisory, managerial or specialist roles that were not being reflected in their wage. While few had knowledge of the award classification structure, they tended to base their judgments on what others were earning in like roles.

**Job hierarchy**

Among non-vocational and some lower paid vocational employees there was a discernible hierarchy of work based on perceived job quality. Workers in contingent jobs thought better quality jobs were those that offered stable and adequate hours. Some shiftworkers hoped to one day work fewer unsociable hours on shifts that better suited their lives. It appears that to an extent these aspirations dissuaded some workers from leaving jobs they were dissatisfied with: it was also generally understood that if you wanted to secure better working hours you improved your chances by remaining within the enterprise rather than looking for jobs elsewhere in the industry. If you started in a new job in either retail or hospitality it was likely that you would start at the bottom of the job hierarchy again. Casual workers commonly regarded longevity as the pathway to good shifts and permanency:

‘I guess it’s how long you’ve been there gets you a little bit of preference, and therefore, because I’ve been there a little bit longer I’m able to kind of take the part-time hours more than say other casual staff ... ’ [Casual bar attendant]

‘... They have been good to me because I’ve got sporting commitments as well, you know, I need weekends off and that’s when our main, our busiest time of the week is and that’s why, like that’s why I stay. Because if I went to another employer and they say “oh no you have to work weekends” my commitments go out the window then.’ [Casual bar attendant]
Some minimum wage-reliant employees worked in enterprises with employees earning overaward wages. At these enterprises, there was very little sense that seeking overaward payments was an option that was available to them. Very few minimum wage-reliant employees expressed any intention of negotiating an increase to their wages or progressing into jobs that paid rates over the award. As has already been discussed, they were more likely to seek improvements to their jobs within the confines of minimum entitlements.

4.12.2 External advancement

As has already been discussed, there was reluctance on the part of retail and hospitality employees to contemplate changing jobs given the expectation that they would ‘start at the bottom’. Others felt that while they may be able to find similar jobs in other enterprises, there was very little chance that they would find one that was better. Many manufacturing employees, particularly mature age and migrant workers, were extremely doubtful that they would find other work, especially in sub-sectors where their skills were specialised and the industry was shrinking.

A small group of employees who worked in smaller sized enterprises regarded the next step in their logical career path as that of starting up their own business. However, they also recognised the risks in running a business and had witnessed the long hours that many employers spent working within them. This was generally seen as a significant deterrent.

Many employees with a vocational attachment to their jobs, with the exception of specialised manufacturing trades workers, felt confident that they would be able to secure other work within their occupations. Several community service minimum wage-reliant workers, particularly those in non-profit organisations, were very confident of being able to find higher paid work in the sector. They were also quick to point out that, given the choice, they would remain in the non-profit sector because of their commitment to the values of the sub-sector and their organisation. In effect, they felt they could get a job with higher pay, but with less intrinsic worth.

Chefs earning overaward salaries described negotiating improved earnings when they moved jobs, and progressing up the earnings ladder. Several chefs and overaward reliant managers talked about how important the ‘employment relationship’ was to the quality of their jobs, noting that progression for the sake of money was not something they were seeking. Rather, they were driven by working in an environment where the wages satisfied the industry benchmark, but most importantly, with a good working environment including supportive management, good health and safety standards and a creative challenge.
5. Conclusions

Part 1 of the report has outlined the range and scope of complex factors impacting upon enterprises and employees as they play out in practice. It provides a benchmark examination of the characteristics of each of the case study organisations and the circumstances of a range of employees in those enterprises.

Employers in the study catalogued an array of external pressures impacting on their businesses, some of which were felt to be beyond their control. Those pressures varied in nature and degree between the different enterprises. Managers had instituted a range of responses to those pressures that concentrated ultimately on reducing costs or increasing revenue. Most employers regarded increases to the minimum wage as just one more pressure among many on the business bottom line. As a matter of ongoing business strategy, most employers made efforts to minimise wages by tightening the management of hours.

Equally, employees in the study were subject to a series of pressures that led them to prioritise some work and life imperatives over others at different times in the life course. This played out in a variety of ways, depending upon the relative constraints of their labour market power, their relationship with their employer, and their work-life needs. For most workers, hours-related factors were the key aspect of their jobs that they sought to control as a means of improving earnings or seeking balance between work and other responsibilities. Minimum wage-reliant workers regarded minimum wages increases as welcome, but see them as going only so far to alleviate income stress due to the relatively small adjustments they could recall from their work histories.

It has been made clear from this study that there is a plethora of often highly interconnected factors that shape employment relations and colour the employer and employee experience at the workplace level. Generalisations are hard to make when there are so many factors at play. However, there was one clear subject that rose in regularity above all others in the analysis of both employment practices and employee experiences—the issue of hours of work. This study illustrates the importance of hours management to employer strategies, as well as the centrality of hours to issues of wages, security and work-life balance for employees. What it also makes clear is the tension that lies between the ‘flexibility’ that is required to work in many enterprises and how that contrasts with the obligations and constraints faced by employees. For example, those employers favouring experienced, committed and ‘flexible’ employees willing and able to work for relatively low wages face the paradox that the more experienced an employee becomes, the less likely they are able to work the kinds of flexible arrangements that employers require of them, and the greater the employee need for income to support maturing households. In such contexts, tensions appear inevitable.

It is against this complex backdrop that minimum wages increases will take effect in each of the enterprises of interest. In the following two phases, the study will track the immediate and anticipated impacts any wage movement (or lack of movement) will have on each of these enterprises as well as the employees who work in them. The next phase of research involved a second round of interviews at the enterprise sites of interest in July 2010. The third and final phase of fieldwork, in November, 2010 will investigate the actual impact of minimum wage decisions. Part 3 will focus on the nature of changes made at the enterprise level in response to minimum wage decisions and the nature of factors that work in tandem with minimum wage adjustments to trigger changes in enterprise strategy and labour use.
PART 2

Overview

Part 2 provides an analysis of the changes evident between March and July 2010 and any immediate effects of the Annual Wage Review 2009–10 3 June 2010 Decision (Annual Wage Review 2009-10 Decision); as well as changes made between July 2010 and November 2010 after the minimum wages increase had been in place for four months.

Changes at the enterprise level between phases one and two of the research

The pressures faced by owners and managers of enterprises in the first phase of the research remained the same in phase two. This experience was supported by industry stakeholders who reported that industry contexts had changed very little in the intervening period. Only minor changes to the operating context were evident at the enterprise (site) level. Improvements to operating conditions appeared to have been as a result of local circumstances rather than as discernible sector-wide patterns of improvement. On the whole, however, stakeholders and participants at enterprises described a continuation of the sub-sectoral and local factors that contextualised operations in March of 2010, reporting neither significant improvement nor further worsening of conditions for businesses.

In a small number of enterprises employers expressed confusion about the transition to the modern award. These employers found it difficult to distinguish between minimum wage-related increases and those stemming from the transition to the modern award. This was particularly acute at sites where penalty rates were paid. However in most enterprises in the study the increase in labour costs was associated with the minimum wages increase rather than the transition to modern awards.

Most employers viewed the minimum wages increase as necessary for low-paid workers experiencing rising living costs. There were exceptions to this attitude among employers who experienced a multiplier effect upon their wages bill from penalty rates and loadings calculated with newly increased base rates, with data demonstrating that patterns of hours impacting upon the labour costs associated with minimum wages increases at those operations.

Beyond minimum wages increases and award modernisation, operations changed very little at most enterprises although significant changes occurred at a handful of enterprises. These included restructures and redundancies, which had the effect of reducing labour costs for three enterprises. None of these enterprises identified the minimum wages increase as being a driving or motivating factor behind the changes that occurred. In addition, changes to employee hours of work were most commonly experienced in hospitality enterprises as part of ongoing ‘lean rostering’ strategies or in response to fluctuations in demand.

A community services enterprise in the study covered by a Division 2B State award was the only enterprise in the study not subject to the minimum wages increase or the commencement of the relevant modern award. Three of the nineteen enterprises subject to the minimum wages increase did not appear to apply the increase. Data indicated that the other sixteen enterprises passed on the full amount of the increase to minimum wage-reliant workers at the site. In the majority of these cases the minimum wages increase constituted a major component of increases to enterprise labour costs and overall costs to the business since March 2010. An increase in labour costs of between 4 and 5 per cent was reported by those employers able to provide an assessment of
the change since March 2010. In addition to the minimum wages increase there were some slight impacts on enterprise wages bills due to fluctuations in casual employee hours worked in the enterprises, costs associated with transition to the modern award and wage increases to overaward wage earners.

Of those enterprises that experienced an increase in labour costs between the first and second phases, 11 paid overaward wages to some employees. In total ten of those enterprises paid a wage increase to all or some of the overaward earners in the organisation between the first and second phases of the study. Seven of those operations directly passed the minimum wages increase (the full amount of the increase, or a higher amount) on to overaward recipients.

**Employee experiences between phase one and two of the research**

Employee participants reported very few changes to their working and household circumstances. The key change, for those employees who received it, was the minimum wages increase. While hours of work changed slightly for some employees, most of those adjustments had only a moderate impact on their earnings. A small group of employees experienced changes to their living circumstances, in most cases moving in with others, which tended to improve their standard of living by combining household financial responsibilities.

Minimum wage-reliant employees who were entitled to the minimum wages increase, but who did not receive it, seemed unaware that they were due the increase. Most of the employees who did receive the minimum wages increase were able to identify that they had received an increase in their base rate of pay and believed that minimum wages had been determined by the government.

The stories told by a handful of participating employees highlighted the vulnerability of some workers. Those employees who described feeling vulnerable were generally referring to a lack of confidence that they would be able to find other work if they became unemployed. These workers generally fell into at least one of the following groups: mature aged, very young, women with caring responsibilities, and/or migrant workers. The experiences of new study participants reiterated the findings of Part 1 of the report.

**Changes at the enterprise level between phases two and three of the research**

The operating context for enterprises in each of the sub-sectors represented in the study had not undergone any significant change by the third phase of the study. A handful of operations were expecting significant changes in the operating environment into the future. However, only slight adjustments had taken place at the site level in preparation for these events, with the exception of one employer who had increased fees to clients in anticipation of rising labour costs due to future changes to statutory staffing ratios.

Most enterprises in hospitality, retail and manufacturing experienced an improvement in trading conditions over the period. In most cases this was the result of predictable seasonal fluctuations. At operations where revenue increased slightly it was often the case that those increases were offset to varying degrees by other costs increasing, including paying for the extra labour needed to meet the growth in business activity. It was reported by two operators that business had improved greatly since the previous phase, outrunning seasonal expectations. At another two sites operators described revenue continuing downwards. Revenue increased at a community services enterprise due to pricing increases, and at two others due to additional service agreements. At the sites with new contracts funding went directly toward employing staff to provide the service. A handful of enterprises across the sectors identified new non-labour related savings and costs. Most employers identified the increasing cost of utilities and other services to the business as an ongoing pressure.
Two of the three enterprises legally required to pay the minimum wages increase that had not done so by the phase two visits had done so by the third phase in November. Despite the increases to wages at these sites labour costs remained stable due to the hiring of cheaper staff, closing operations during slow trading times, and further refinement of rosters. The third enterprise appeared not to have paid the minimum wages increase by the third phase. Wage increases were paid to some staff but each employee continued to be paid below the award rate.

Standard and predictable fluctuations in labour costs were generated by various factors. They included extra rostering to cover absences and peaks in trade, as well as continuing to implement measures for lean rostering. To a lesser extent other labour cost changes were made by employers when they replaced exiting employees with lower paid recruits, and in a few cases, granted wage rises to a small number of overaward paid employees. In most cases labour costs had stabilised or risen marginally since the minimum wages increase.

In a handful of enterprises labour costs changed significantly. Two operations that had cut staff in phase two continued a program of labour cost reduction. A manufacturing site made further redundancies and a hospitality site made savings by replacing salaried managers with lower paid staff. Both operators continued to state, as they did in phase two, that the changes were due to an ongoing decline in trade. Staffing numbers and hours grew significantly at a retail enterprise undergoing a steep seasonal peak in trade, and at a manufacturing site due to increased contracts, thereby significantly increasing their labour costs.

**Employee experiences between phases two and three of the research**

The working lives of most employee participants changed very little in the four months following the phase two interviews. While a handful of participants experienced increases to pay, changes to hours of work, and/or minor modification to the design of their jobs, most employees did not experience notable changes. In most cases employees’ living circumstances also remained stable, with a handful of individuals undergoing some changes including new additions to the family, moving out of home, and other householders becoming employed.

There was no evidence of worsening circumstances for employees, although some did continue to describe ongoing difficulties in meeting their financial obligations and disgruntlement with their hours of work. Others experienced some relief from pressure due to increasing hours and improved local management. Some employees believed they were being paid below the legal standard but were reluctant to pursue claims with their employers. The exception was a unionised site where a claim was successfully made.

**Compliance with employment regulations**

It became apparent over the course of the study that the degree of employer compliance with labour standards affected the wages bills and employee earnings at each enterprise. Apparent instances of non-payment of employee entitlements minimised the labour costs at a small number of sites and reduced the earnings of the affected employees. These cases of non-compliance appeared to be due to a lack of knowledge amongst those employers, prioritisation of other matters over employment issues, and in a small number of instances delaying remedying non-compliance in order to minimise costs to the enterprise. However, most employers were assiduous in their application of award standards and this was reflected in their labour costs and the earnings of their employees.
Conclusions

In terms of initial employer responses to the Annual Wage Review 2009–10 Decision, there was very little evidence at enterprises of adjustments to employee hours or staffing numbers, or other savings being made to offset the increased labour costs stemming from the minimum wages increase. Many enterprises appeared to absorb the increased labour costs rather than taking specific steps to offset them. Attempts to reduce labour costs appeared to be made within the context of ongoing practices associated with those enterprises. Operations that made major changes appeared to be responding to imperatives such as continuing decline or significant growth in business. The overall stability of employees’ working lives and conditions of employment supports the evidence that case study employers did not introduce significant changes to their labour use/employment strategies in response to the 2010 minimum wages increase. The impact of the minimum wages increases on enterprises and employees is examined in the final report in this series.
6 Introduction

6.1 Background and objectives

Part 2 outlines sequentially changes that have occurred since the March 2010 fieldwork discussed in Part 1 of the report. The structure of Part 2 reflects the key themes, starting with examining changes evident between phases one and two (March – July 2010), and then phases two and three (July – November 2010) at the enterprise level, for both employers and employees. The concluding discussion provides a summary of key findings from each of those periods.

6.2 Research design

6.2.1 The phase two and three research design

In keeping with the longitudinal nature of the study, the second and third phases of the research were primarily designed to deepen understanding of the enterprise case studies and investigate any changes that may have taken place since preceding site visits. Data collection activities involved interviewing industry stakeholders, conducting site visits and re-interviewing the employers and employees who participated in the first phase of the research. All interviews were digitally recorded and professionally transcribed, with the exception of discussions with some industry stakeholders who requested that interviews remain un-recorded.

6.2.2 Industry stakeholder interviews

The phase two fieldwork commenced with a series of industry stakeholder interviews. Nineteen interviews were conducted with experts and practitioners with in-depth knowledge of the sub-sectors within the states of interest for the study. They included employer association representatives and trade union officials.

Most stakeholders involved in phase two had been interviewed in the first phase of the research, although seven new participants took part to cover of specific sub-sectors represented by enterprises in the study. Some participants in phase one were not involved in the second phase and were replaced by state-based individuals with a deeper knowledge of specific sub-sectors. A much larger number of stakeholders were involved in phase one (36 individuals) to enable researchers to gather enough accurate information to target specific sub-sectors in which to find suitable enterprises for the study.

Stakeholder interviews in phase two concentrated on two main areas of interest: whether there were any notable changes to the operating environment of the enterprises within the study since phase one interviews; and gathering initial reaction to the Annual Wage Review 2009–10 Decision. Some time was spent discussing stakeholder insights into the ‘types’ of enterprises that might feel the impact of minimum wages increases more keenly than others and the types of adjustments that enterprises may have made in the past in response to minimum wages increases. At the commencement of phase three all stakeholders that had been interviewed in phase two were invited to provide further input. The bulk of those that responded had nothing to add, explaining that the issues in the sub-sectors of interest had not demonstrably changed since the phase two interviews.

Data from the stakeholder interviews have, where relevant, informed the analysis in this report and assisted in the design of question guides for employers. In particular the contextual information from these interviews allowed for a broader consideration of the impact of wage increases viewed across a range of enterprises in the sub-sectors of interest. The distinction between information gathered from stakeholders and data drawn directly from enterprises participating in the study is made clear throughout the report.
Some industry stakeholders preferred not to be recorded for the project but were happy for their thoughts and ideas to be incorporated in the analysis for the study. Where this is the case and direct quotes cannot be used, the insights provided by stakeholders are summarised and attributed without compromising the anonymity guaranteed to all study participants.

6.2.3 Enterprise case study fieldwork

Case study participants

The second and third phases of fieldwork were conducted with the same 20 enterprises who participated in phase one. Case study interviews took place during July 2010 and November 2010. In total, 102 enterprise-based participants were interviewed in phase one of the study. In phase two this number fell to 86 (28 owners/senior managers and 58 employees) and in phase three it fell again to 79 (25 owners/senior managers and 54 employees). Where possible the same employers and employees at each site were interviewed during the second and third phases. Participants who were not in attendance at the workplace at the time of the visit were interviewed by phone within the three weeks following the visit.

In phase two eight participants were unavailable for interviews for the duration of the fieldwork but remained employed at the enterprise. Twenty participants (19 employees and 1 employer) had left the enterprise at the commencement of phase two. Twelve new participants were recruited, seven of whom were employed at the site in March 2010. A community services enterprise was undergoing extensive restructuring at the time of the phase two fieldwork. The new CEO agreed to remain in the study and was interviewed but a decision was made to defer employee interviews until the final phase given the degree of change and uncertainty that was being experienced at the site.

At the commencement of phase three, seven participants had left the enterprise (six employees, and one senior manager) since phase two. Eleven participants were on some form of leave and unavailable for the three week period of the fieldwork.

In the event that a participant had permanently left the enterprise between phases one and two every endeavour was made to replace them with an employee who shared their basic employee characteristics. For example, where a casual minimum wage employee left the study, a casual minimum wage employee was found to replace them. Every effort was made to include new participants who had worked at the site at the time of the first visit to allow them to reflect on changes that had occurred since that time. Replacements were not found for the leavers in phase three, due to difficulties in accessing like employees, particularly at those sites with high staff turnover. Researchers regarded pursuing replacements as an unnecessary burden upon the employer given that new entrants to the enterprise were unable to reflect on changes at the enterprise over time, and that levels of employee participation at each enterprise were already adequate. In all cases, except in the case of the community services organisation in phase two referred to above, at least two employees were interviewed at each of the sites in each phase. In most cases either three or four employees were interviewed.

Instruments and data collection

Given the relatively short period of time that elapsed between each of the research phases, the question guides used during interviews were shorter and more focused in phase two and three than in the first phase. On average, interviews with employers took around 45 minutes while interviews with employees took between five and 20 minutes. Questions for employers concentrated on tracking changes at the operation since the previous
visit and on employers’ responses to the Annual Wage Review 2009–10 Decision. Employee discussions centred on any changes made to their employment, their living circumstances and the enterprise.

**Participant compliance with the Annual Wage Review 2009–10 Decision**

Where employer and employee participants appeared to have inaccurate or no knowledge of the Annual Wage Review 2009–10 Decision in the second phase of the research, researchers did not provide participants with information about the increase. This approach was taken to avoid undue researcher influence, in terms of adding an element of bias to the study. In line with interview question guides, participants were asked if any changes had been made to minimum rates of pay since the previous visit in March 2010. It became clear from researcher probing around this question that in some cases employers had not applied the relevant wage increase in the two weeks after the minimum wages increase had taken affect. By the third phase visits there remained one site that appeared to be required to pay the increase but which apparently had not done so.

In all cases conclusions drawn about non-compliance with the minimum wages increase were primarily based upon both employers and employees stating during interviews that wages had not changed from 1 July 2010. Researchers investigated pay rate information by comparing fieldwork data with the relevant statutory instruments, including transitional instruments where relevant. This was a complex process. However, the researchers are confident that conclusions drawn about compliance with minimum wage rates are as accurate as is possible within the scope of the project, given the in-depth information gathered regarding the enterprise and the use of information resources available on the Fair Work Australia and Fair Work Ombudsman websites. There are inevitable limitations on assessing the full extent of earnings-related compliance, particularly where earnings intersect with hours of work. In some cases this would have required detailed information that researchers did not have access to. For example it was not possible to draw definite conclusions about the status of some ‘rolled-in’ rates or the application of some penalty rates. That would have required close examination of actual rosters which was outside the scope of this project.

**6.2.4 Methodological issues**

In Part 1 it was noted that particular methodological challenges arose due to the complications associated with defining and identifying minimum wage reliance (see section 1.4.7). It was also suggested that involving overaward wage recipients in the study has added value to the project (section 1.4.5). Several other methodological issues of interest have arisen in the course of undertaking the second and third phases of research and these are discussed below.

**Longitudinal design**

Longitudinal qualitative research examining employment relations phenomena is relatively rare, as cross-sectional qualitative studies tend to predominate in this field of research. Specific strengths and some challenges associated with the longitudinal nature of the study have emerged, as follows:

- Multiple visits to case study enterprise sites and the conduct of successive industry stakeholder interviews with the same individuals have contributed to building high levels of trust with participants.

- In-depth information and understandings have been gathered as researchers have been able to clarify and check the accuracy of information and test insights with participants during successive visits. In addition, the ability for researchers to feed back key findings to research participants reinforces to them the value of participating and remaining in the study.
High turnover of employees is a feature of many minimum wage-reliant industries. This is particularly the case at workplaces that have high proportions of contingent (casual and/or part-time) employees. This has contributed to a corresponding high turnover of employee participants in the case study enterprises. The majority of exiting participants have been casual employees who no longer work at the enterprise. This suggests that over-recruitment of casual employees during the first phase and/or having a process for replacing participants with like employees is an important aspect of the research design.

While there was some evidence of participant fatigue given the short periods between interviews, it appears that the benefits of two more successive visits conducted within an eight-month period outweighed the negatives. First, the relatively short time-span between visits reduces the potential for attrition of case study enterprises and ensured 100 per cent retention of participating enterprises across all three phases, despite the sensitivity of the information they were asked to share. Second, several enterprises underwent significant and rapid change in the periods between visits. Being able to track changes so close in time to them taking place made it less likely that participants had forgotten details or confused different incidents of change. This helped to maintain the chronological integrity of the data at the enterprise level. In turn this provides reliable information for establishing the drivers of change, which is central to this project. The data used to write Part 2 were analysed and written up by researchers in the periods directly following the completion of data collection activities during phases two and three.

The main challenge associated with conducting three close phases of data collection has been the concentrated period in which the processing, analysis and reflection on findings has had to take place. This has particularly affected the data processing phase of the research in phase two. While Nvivo qualitative research software was used to code and organise the data collected in the first phase of research, researchers did not use it to analyse data collected during subsequent interviews. Use of Nvivo would have been more useful had researchers had time to re-code data from each of the phases to reflect the development of the findings. As it is researchers have relied heavily on Nvivo as a document management system and have fallen back on more traditional processes for sifting through, analysing and re-analysing the data, including the heavy use of categorising data in matrices of responses. This insight is probably of most interest to other qualitative researchers but is of particular import for those engaged in quick turnaround longitudinal analysis with high volumes of data. It has been our experience that using methods other than Nvivo allowed for faster distillation and synthesis of the information than was possible by using Nvivo. The development of categories, for example, took place outside of Nvivo using data matrices. The downside of not using Nvivo in phase two is that there are now multiple documents that reflect the research analysis process rather than the data analysis ‘phases’ being linked via an Nvivo platform. We have no doubt that the key research findings would be the same either way (that is, they would be based on distillation of the same information), but by performing elements of the analysis using means other than the Nvivo package the management of data more closely reflects the timeframes, contours, and particular methodological features of the project.

The case study method

The benefits of conducting case studies as part of a qualitative research strategy have been well documented. In the present study, the case study method has been a highly effective methodological approach for interrogating the research questions of interest. It has allowed researchers to gather detailed and nuanced information about enterprises from three distinct perspectives (stakeholder, employer and employee) providing a rounded view of the enterprises during the period of the study.

---

Reporting certain factors while maintaining anonymity for all participants has necessarily limited the way researchers have been able to report case study interview data. In effect, researchers are privy to a deeper and broader range of evidence for each enterprise than can be reported. While it might be difficult for non-participants to identify enterprises within the study, employers and employees may well recognise the words and actions of others within the enterprise. Consequently discussion of sensitive issues is, in some cases, necessarily circumspect and almost always removed from the whole context of the enterprise.

Industry stakeholder interviews

Stakeholder interviews have provided a highly useful source of insight and information to the study. In the first phase of the research stakeholders were instrumental in targeting sub-sectors for recruiting enterprises reliant on minimum wages. In phases one and two they have provided important contextual information that has: prepared researchers with the baseline sub-sectoral information that allowed them to engage in more in-depth interviews at the enterprise level; allowed for findings from phase one of the research to be tested (in terms of assessing their possible extent or prevalence within subsectors); and contextualised participating enterprises within the broader environment of the sub-sectors they fall in.

Inevitably some stakeholders have particular strengths and weaknesses as research participants. A clear example of this has emerged in the course of this study. Trade union officials, while well informed and knowledgeable about their areas of coverage, are less able to provide detailed analysis of sectoral issues that impact beyond their membership. It is increasingly rare, given the expansion of collective agreement making over the last decade or so and the impact of the changing industrial and structural environment, that trade union officers are involved with employees (and the enterprises they are employed in) that are paid rates at the award. However some key exceptions in this study were found in the community services and some manufacturing subsectors. Consequently employer association representatives were relied on more heavily as experts for the purposes of the second phase of the study.

In addition, it must be remembered that industry stakeholders provide an important advocacy role for their membership and thus data gathered in the context of stakeholder interviews is subject to critical analysis and validation.

Enterprise level employment and financial data

Many employers were reticent or unable to furnish exact data on their operations. In particular, data on profit and loss difficult to access. Those employers who were happy to comply with requests for financial information used a range of different methods of calculating financial indicators or measures within the enterprise which varied according to accepted conventions within the particular subsector within which they operated. For example, some employers used labour costs-to-sales ratios, while others measured labour costs to total costs. Most small to medium sized enterprises did not collate data until the end of the financial year so tracking financial performance across the course of the project was not possible. The primary usefulness of the enterprise data lay in the weekly paid employee hours and payroll figures. These were variables that revolved around pay cycles and could be used to register changes in the wages bill (to some degree, although not with a great deal of precision given fluctuations in staffing levels from week to week) and the hours being worked in the business.
Access to employee payslips: employee data

Researchers collected employee data in a variety of ways. These included asking employees questions during interviews, sighting employee pay slips, and gathering data from employer datasheets, which requested wage rates for minimum wage employees at the site (this data was largely provided by employers and payroll clerks in the course of employer interviews). In some cases employers were unable to provide details of the wages paid to specific employees. This was then followed up with the individual employees. In all phases of the research, robust employee earnings data was collected by using the various methods described.

During preparation for the second phase of interviews researchers underwent a systematic process of contacting each employee via telephone calls and requesting that they bring their payslips with them to the interview. In several cases this appeared to arouse concerns in the minds of employees and during interviews they made it clear in various ways that they were not prepared to provide researchers with their payslips. Once it was established that formal requests for payslips were creating discomfort among participants the practice was stopped. As in the first phase of the research, requests made for payslips during the course of the interview were met favourably, suggesting that the pre-emptive requests made outside of the high trust environment of the actual interview were counter-productive.

Following up employee ‘leavers’

In order to track the movement of employee case study participants within the broader labour market, researchers trialled the conduct of telephone interviews with employees who had moved from enterprises during the course of the study. The aim of such interviews was to examine whether these individuals had moved to similar or different jobs as a means of tracking employee mobility within, and beyond, the low-wage labour market. However, on evaluation, this proved difficult for three main reasons:

• follow-up interviews had not been factored into the project costings and timelines;

• approval was not sought from the employees during initial interviews; and

• the intention to follow employees was not communicated to employers at the recruitment stage of the project.

Prior to attempting to contact employee case study ‘leavers’, researchers sought permission to re-contact them from their former (case study enterprise) employers. It was made clear to employers during these discussions that questions would not be asked of employees about the circumstances behind employees leaving their former employing enterprises, but that the focus of the interview was on tracking movement through the labour market. However, this attempt to seek approval retrospectively was treated with some reticence by those employers approached with the proposal. It became clear that several employers were uncomfortable at the prospect of researchers interviewing these employees. Given the main focus of the study, this new line of research was abandoned when initial attempts to gain permission to re-contact former employees indicated that doing so may jeopardise researcher relationships with some employers.
6.2.5 How to read Part 2

Part 2 of the report adopts a chronological framework to draw the distinctions between the key changes immediately after the Minimum Wage Panel of Fair Work Australia’s Annual Wage Review 2009-10 decision to apply an increase to certain national system minimum wages, and those changes that took place after these increases had been in place for a period of four months.

Part 2 outlines changes that took place with regard to the context in which enterprises operated, and any changes that took place at the site level to enterprise operations and participating employees. It does so by firstly detailing any evidence of change from research conducted in the second phase, outlining changes that took place between March 2010 and July 2010, and secondly by outlining changes that took place between July 2010 (after the phase two interviews) and November 2010 (at the time of the phase three interviews). Both discussions are presented in a similar structure, reporting firstly on changes to operations, followed by employee experiences of change over the same period. This part finishes with a brief overview of the way in which compliance to minimum labour standards appeared to differ between enterprises.

Discussion in Part 2 may appear repetitive. However, in the interests of full disclosure of the evidence of change, and to provide details of those changes across time, from the perspective of both enterprises and employees, some repetition is inevitable. For example a change that was enterprise-wide might be outlined in the employer section and then be reported in the employee section as it impacted on study participants. If the details of chronological change are of less interest to the reader than overall findings, then summaries of change over the course of the study have been made in Part 3. Part 2 can be used as a resource to investigate what changed when, and how it changed in detail. The links those changes may or may not have to the minimum wages increase are investigated in Part 3.
7 Changes at the enterprise level between phases one and two of the research

Overall there was very little evidence of contextual change at the enterprise level between March 2010 and July 2010. This accorded with reports from industry stakeholders that the industries of interest continued to operate in an environment similar to that described in Part 1. Revenue remained stable at the majority of sites with growth at four sites. Non-labour costs were also relatively stable at most sites. However, sites that paid wage increases between the first and second site visits experienced an overall rise in labour costs. The highest amount of growth in labour costs came from the minimum wages increase, with the exception of a community services provider that more than doubled its staff due to a large increase in funding.

Labour adjustments from job losses and/or hours reductions took place in three sites in the period between phases one and two of the study fieldwork. In all cases the changes pre-dated the date of effect (1 July 2010) of the Annual Wage Review 2009–10 decision’s minimum wages increase and employers denied any link to the wage decision.

On the whole, employees who remained in the study reported very few changes to their work and their household circumstances between phases one and two. There were low levels of awareness of the Annual Wage Review 2009–10 Decision amongst some employees, with many workers coming to know about the increase by noticing a change in their payslips. Employees who received a wage increase tended to see it as partially offsetting increases in the cost of living.

The stories told by a handful of employees in this phase of the research highlighted the vulnerability of some workers. The experiences of new study participants reiterated the findings of the phase one research (discussed in Part 1).

7.1 Context and operating environment

The pressures faced by owners and managers of enterprises remained largely the same as those recounted in the first phase of the research. According to stakeholders, the broad industry context in which enterprises operated had changed very little. This is primarily a function of the research design given that only six months had elapsed since discussions with stakeholders and four months since interviews at the enterprises. Only minor changes to the operating context were evident at the enterprise (site) level. Improvements to operating conditions appeared to have been as a result of local circumstances rather than as discernible patterns of improvement across the whole sector. On the whole stakeholders and participants at enterprises described a continuation of the sub-sectoral factors (stakeholders) and local factors (enterprise participants) that contextualised operations in March of 2010, reporting neither significant improvement nor further worsening of conditions for businesses.

An exception to this was the degree of confusion and frustration being expressed by a small proportion of owners and operators in making what they considered to be complex modern award variations. Others regarded the minimum wages increase as an additional pressure, but most employers viewed the minimum wages increase as an understandable and important increase for low-paid workers who were experiencing increases to their costs of living. There were, however, exceptions to this attitude particularly from employers who experienced a multiplier effect upon their wages bill from penalty rates calculated with newly increased base rates.
Actual operations (beyond any changes which may have resulted from the Annual Wage Review 2009-10 decision and/or award modernisation) changed very little at most enterprises. However, there were significant changes at a handful of enterprises. In some cases these changes had been anticipated by employers during the first round of interviews and constituted part of ongoing reforms that pre-dated the study. However, in the case of one community services enterprise very significant and rapid change came about as a result of new management and governance arrangements. None of the enterprises that experienced major change identified the minimum wages increase as being a driving or motivating factor.

7.2 Revenue

When interviewed during the July 2010 phase two research visits, most operators perceived little change to their revenue base since the visit in March 2010 and reported the continuation of the economic pressures that were outlined in Part 1. Some operators in retail and manufacturing enterprises experienced marginal dips within what they regarded as continuing low rates of turnover, while a few of the hospitality enterprises saw marginal improvements compared to their revenue in March, in the context of revenue continuing to remain low compared to previous years. One community services provider reported receiving extra funding to provide a new program.

Revenue had notably grown in four of the case study enterprises since March 2010. There was no discernible pattern associated with the increases in revenue. Enterprises that experienced growth ranged in size (small, medium and large), industry (one from each of the four industry sectors represented in the study) and location (ranging from inner city to rural/remote). The apparent reasons for the increases in revenue also varied greatly. A regional community services enterprise was able to increase its revenue base by 60 per cent when the new management team more accurately applied its funding formula; a small manufacturing site saw sales growth from its current contracts as well as gaining a large new customer; a fast food operator eliminated high levels of wastage and theft occurring at the worksite; and a suburban club had significant growth in gaming takings.

7.3 Labour costs and the 2010 minimum wages increase

The most notable change to cost structures in case study enterprises identified between research phases one and two came from labour costs. As described in Part 1, rises in the price of materials, energy and rent continued to be an ongoing concern for many enterprises. At one manufacturing site the fluctuating price of a major raw material (due to changeable currency exchange rates) had reduced at the time of the second phase interviews. In all other cases employers reported no relief from cost pressures identified in March 2010.

In most of the case study enterprises labour costs were identified as being affected between phases one and two of the research in five main ways: through broad statutory changes to earnings for minimum wage-reliant workers flowing directly from the minimum wages increase of $26 a week; from costs associated with transitions to the modern award; via adjustments to staffing levels and categories of employment; through increases in overaward rates of pay; and to a much lesser extent, employee progression up adult, junior, apprentice and trainee wage scales. The relative impact of the minimum wages increase upon the wages bill at each enterprise varied, depending upon: whether employers applied the minimum wages increase; the costs associated with the transition to the modern award; and the degree of local workforce change that took place during the period between phases one and two of the fieldwork.
Disentangling the various elements of the wages bill is not a simple matter. Employers at the minority of sites identified by researchers where the transition to the modern award was creating confusion found it difficult to distinguish between minimum wage-related increases and those that flowed from the transition to the modern award. This was particularly acute at sites where penalty rates were commonly paid. However, examination of data provided by case study participants—with reference to their applicable statutory instruments—indicated to researchers that the wages impact of the modern award transition on the enterprises in the study may not have been as marked as originally anticipated by enterprises in phase one of the research. For example, increases in the hourly rate paid for night and weekend shifts by some enterprises (which were the subject of complaint by some employers in phase one of the study), appeared by phase two of the research to have been increased primarily by the minimum wages increase of 1 July 2010 rather than as a result of the transitional phasing of new penalty rates in the modern award as commenced on 1 July 2010.

7.3.1 Enterprises with stable overall labour costs

A community services enterprise in the study covered by a Division 2B State award appeared to be the only enterprise in the study not subject to the minimum wages increase or the commencement of the relevant modern award. At this enterprise, the only changes to the wages bill that occurred were associated with some employees moving further up the classification scale via annual increments within their grades. There was a slight increase in staffing levels which was offset by a commensurate increase in funding for a new program.

Three of the nineteen enterprises subject to the minimum wages increase did not appear to apply the minimum wages increase at phase two. In two cases it appeared that no minimum wage-reliant worker at the sites received the 2010 minimum wages increase. In the other case the amount of wage increase varied between employees with the majority of employees appearing to receive less than the full amount of the increase. Not surprisingly these enterprises reported that they had little or no increase in their labour costs since March 2010. In the case of the operator that paid a partial increase, they reported having a stable wages bill due to a marginal drop in hours by some casual junior employees. None of these operations reported any impact from transitioning to the modern award. The operators at two of these enterprises appeared unaware of the transition to modern awards taking place. All of these sites had some labour turnover but none reported a significant change in staffing levels or employee hours. An employer at one site had reduced Sunday operating hours due to a combination of low trade and high penalty rates but this appeared to reduce hours worked by the owner rather than employees. All three enterprises are characterised by low employer capacity, as described in section 3.1 of Part 1.

The other 16 enterprises appeared to pass on the full amount of the increase to minimum wage-reliant workers at the site. In the majority of cases the minimum wages increase constituted a major component of increases to the enterprise labour costs and the overall costs to the business since March 2010. However there were variations in the degree and impact of the different elements generating those changes to labour costs. Those variations are examined in some detail below.

While a minority of employers were confused about the transition to the modern award, section 9.4.3 in Part 2 describes the view of employers from twelve of the thirteen enterprises in the study who reported an increase in overall labour costs, and who regarded the 1 July 2010 increase in the minimum wage rates as the main source of the increase.
7.3.2 Enterprises with a reduction in overall labour costs

In phase two of the research, labour costs went down overall at three enterprises that passed on the minimum wages increase to minimum wage-reliant employees. This was due to cuts in staffing levels. At a manufacturing site the equivalent of 4.5 full-time minimum wage employees were retrenched between phases one and two because of the continuing lack of orders. The redundancies pre-dated the minimum wages increase and the owner-manager was adamant that the rise in minimum wage rates played no role in the decision to cut staff, which is made clear in the following exchange:

**Interviewer:** So the redundancies weren’t in response to the wage increase?

**Employer:** No. People like to connect the dots. They’re totally unrelated. Whether wages went up by a percentage or didn’t go up, we were still in a position where we had to restructure.

During this time, a tier of middle management positions was also retrenched from a small hospitality operation. Each of the assistant managers had been paid overaward annual salaries. The owner explained that due to the continuing low levels of trade at that time, it was necessary to have fewer positions in the business. He felt confident that the reduction in staffing was the right decision given that there had been no need to replace them in the roster in the period since. He explained:

**Employer:** … so we’ve pretty much lost one tier of management in both floor and kitchen due to financial constraints and we’ve found that this year would be our toughest year of business in four and a half years of operation. Turnover is down by as much as 20 per cent, 30 per cent. As a result we had to let a high level of staffing go from both the front and the back just because it wasn’t sustainable any longer.

**Interviewer:** They were full-time people?

**Employee:** Yes and that’s the first time in four years we’ve had to do that and it’s not just a financial thing, it’s just the business hasn’t been there to need that extra level of staffing, …you know if it doesn’t work because if you have to replace those people with casual staff straight away, then you haven’t saved any money. Whereas we find that we’re not having to replace them and yes, we’re certainly seeing that the payroll has come down.

In addition the number of casual positions was reduced at this workplace to increase the average hours of the remaining casual jobs at the enterprise. In effect, the casual hours worked in the business remained the same but they were distributed amongst fewer staff. This was consciously done to increase the weekly wages of the minimum wage-reliant staff that remained.

A fast food operator had been through a process of dismissing staff who had been engaged in stealing money and/or giving away free products. Over the course of several months he estimated that $4 500 had been lost in revenue as a result of theft. To recover from the loss, and as part of rationalising the workforce to weed out less productive employees, he had pared staffing back from 25 casual employees down to 10 using a combination of dismissal and attrition. By the time of the phase two visit he had recruited new workers (and re-recruited some former staff members), increasing the number of employees back up to 17. He had significantly increased his own hours in the business and refined his rostering system to a point where he felt that his staffing levels were better matched to peaks and demands in trade over the course of the day. Interviews conducted with industry stakeholders and the enterprise owner in the first phase of research indicated that fast food operations, such as this one, experience significant seasonal effects on trade. Staffing reductions toward the middle of the year appear to be part of the normal business cycle in these operations.
There was no discernible impact of the modern award transition upon costs in the enterprises in this group. Employers in these enterprises had only limited knowledge of the transition process and had relied on external supports (a payroll company in one case and employer associations in the other two) to provide information relating to the changes required. They were unable to describe what those changes might have been, but given the lack of impact on labour costs, they believed them to have been negligible. It is also likely, given the instruments these enterprises transitioned from, that the impact of the transition to the modern award was minimal. This is in accordance with information received from industry stakeholders.

Overaward rates were paid to a handful of employees at the manufacturing and the hospitality enterprise in this group. It was the stated policy of the manufacturer to pass on minimum wages increases to all employees, including recipients of overaward rates. In keeping with that policy the 2010 $26 increase was paid to all employees. The hospitality employer however did not pass on the increase to their overaward employees, explaining that low levels of trade prevented them from paying increases to those overaward wage recipients that remained at the enterprise.

7.3.3 Enterprises with an increase in overall labour costs

Employers from 12 of the 13 enterprises in the study who reported an increase in overall labour costs regarded the 1 July 2010 increase in the minimum wage rates as the main source of the increase. The standout exception was a community services enterprise with new management and governance structures which had more than doubled the number of staff at the site from 12 to 27 employees. This equated to an increase in total employee hours from approximately 850 to 1 350 a fortnight, paid for by a 60 per cent increase in funding. The remaining twelve enterprises did not significantly change their staffing levels or hours of operation since the first phase visits, explaining that the increase in labour costs was primarily a result of the minimum wages increase. An increase in labour costs of between 4 and 5 per cent was reported by those employers able to provide an assessment of the change since March 2010. In addition to the minimum wages increase there were some slight impacts on the wages bill (in both directions) due to: fluctuations in casual employee hours worked in the enterprises; costs associated with transition to the modern award; and wage increases to overaward wage earners.

While turnover of employees was evident at many enterprises, particularly those with high proportions of casual employees, the actual employee hours worked per week remained stable in most operations where labour costs rose between the first and second phase site visits. Slight reductions in casual hours were reported by owner-managers at two retail and three hospitality sites, generally through attrition and distribution of fewer hours to casual staff. However the casual hours worked in the enterprises fluctuated week to week depending upon trading levels and whether permanent staff or owner-operators were on leave. In four of those enterprises the reduction in hours appeared to be part of ongoing refinement of rosters due to movements in trade and revenue, with managers in each of the enterprises having described the use of lean rostering practices in the first round of interviews.

In the case of a hospitality enterprise, low revenue in the first six months of 2010 led to reduced employee hours during a period when trade had picked up. The fifth enterprise, a retail employer, explained that the reduction in hours was the direct result of a provision in the modern award that had increased minimum shift lengths from two to three hours. Previously the enterprise had rostered a handful of school students for the two hours after school finished until the store closed. The owners felt that they could not justify paying these employees three hours’ pay for two hours of work and so had redistributed the work to other employees or undertook the task themselves.
Three manufacturing sites had rejected reducing hours of work as a means of reducing labour costs. Employers felt that reducing employee hours might lead to resignations and, given the difficulties associated with replacing specialised labour, that this would be counterproductive to the longer term viability of the business. The fourth relied on a relatively high proportion of casuals compared to other manufacturing concerns in the study and had also instituted a banked hours scheme for permanent workers to deal with fluctuations in workloads.

The cost of the minimum wages increase appeared to have been felt slightly more by enterprises with night and weekend operating hours, demonstrating that patterns of hours impact upon the labour costs associated with minimum wages increases at those operations. At the time of the phase two interviews, the larger increases to hourly rates paid for night and weekend shifts hit a nerve with some employers who had already expressed, in the first phase of interviews, disgruntlement at paying higher rates for hours of operation that they considered central to the business and in the public rather than their own interest.

Employers in enterprises where overall labour costs had increased provided several examples of strategies for reducing labour costs by substituting particular categories of employees for others. Examples included the following:

- A community services provider, in an attempt to better manage their wages bill and improve their quality of service, replaced agency labour with seven permanent positions which had been used to cover shift vacancies across a region. At the time of the second phase interviews it was hoped by the regional manager that the permanent positions would be cost neutral given the comparatively high rates paid to agency labour.

- Some retail employers had relied on juniors to reduce their wages bill as a matter of ongoing savings. An employer had discussed increasing the proportion of junior hours worked in the enterprise to offset some of the cost of the minimum wages increase and the phased implementation of rates and penalties in the applicable modern award. At the time of interviews those attempts had been unsuccessful. Apparently the junior recruits were not willing to work the shifts the employer had hoped they would.

- A hospitality enterprise was considering replacing at least one current employee with a school-based trainee to reduce labour costs. This was just one of several strategies being considered within the enterprise to deal with rising costs and fluctuating revenue. It was also evident that this labour substitution practice had been one that the employer had used in the past rather than one that was newly arrived at since the minimum wages increase.

In most enterprises the transition to the modern award did not create difficulties for owners or managers. This was the case at enterprises, as described above, which had stable or lower labour costs in the second phase of the study compared to the first. In some instances this may have been due to a lack of engagement with the modern award transition process. The minority of employers who described what they considered to be negative experiences of the modern award transition were much more likely to be from organisations that managed non-standard rosters, including shiftwork and night and weekend work. At these sites (two each from the community services, retail and hospitality industries), employers expressed either frustration at the process and/or disgruntlement at the content of modern award provisions.
Several employers expressed frustration at the process of transition to the modern award. For small employers this confusion appears to have been exacerbated by the confluence of the 2010 minimum wages increase with the modern award transition. For example, an employer described receiving five different versions of the new wage scale from their employer association as they grappled with the changes.

Employers also described the administrative burden associated with applying the new provisions. This included the redesign of rosters to comply with new regulations determining the length of breaks between shifts, applying new classification systems (effectively triggering a re-classification process in some enterprises), and manually updating the wage rates of each individual employee, which in some cases varied depending upon the type of shift they worked. A senior human resources manager in a community services organisation reported having to ‘undo’ significant changes made to rosters when hours provisions in the modern award were reversed by a decision made by Fair Work Australia. In these cases the impact of administering the minimum wages increase appeared to have been caught up in the process of transitioning to the modern award. Enterprises that experienced limited changes from the modern award did not complain of any administrative burden associated with application of the Annual Wage Review 2009–10 Decision.

In addition to the one-off administrative costs associated with the transition, increased labour costs as a result of the changing employment provisions were reported in four operations (two community services operations and two retail operations). The impact of the modern award transition was primarily determined by the instrument that enterprises were transitioning from. For example a community services provider and a retailer in one state estimated that the modern award changes had contributed 50 per cent of the increased labour costs while a community services provider and retailer from two other states assessed the modern award as contributing more like 20 per cent of the additional labour costs since March 2010.

Some of the changes at the enterprise level triggered by the modern award transition resulted in the correction of old errors. For example it was noted by one employer that in going through the re-classification process they discovered long-standing discrepancies in the way the previous award had been applied. The movement of employees to appropriate classification levels did contribute to the increase in labour costs for at least two sites. However, unless the enterprises provided back pay (which they had not done at the time of the phase two interviews), in both cases they had been saving money in the past by underpaying employees. It is also worth noting that in at least some cases, employers claimed that employees at those same sites had been over-classified. At both sites they maintained the historical grades so as not to disadvantage the affected employees.

Of those enterprises that experienced an increase in labour costs between the first and second phases, 11 paid overaward wages to some employees. In total ten of those enterprises paid a wage increase to all or some of the overaward earners in the organisation between the first and second phases of the study. Seven of those operations (two each from community services and manufacturing and three from hospitality) directly passed the minimum wages increases on to overaward recipients, adding $26 to their weekly wage or to the hourly equivalent.

---

20 It should be noted that the decisions to first, transition increases or decreases to award rates stemming from the introduction of modern awards across five instalments and second, to sequence the transition to modern awards to coincide with the 2010 minimum wage adjustment were both at the request of various employer associations, as noted in Award Modernisation decision 2 September 2009 [2009] AIRCFB 800 and Annual Wage Review decision 2009-10 3 June 2010 FWAFB 4000.

21 These figures are difficult to verify using the relevant instruments against the enterprise rosters. The 50 per cent figures do seem quite high proportions and are difficult to assess given that employers were unable to provide details of the award provisions that led to those increases.

22 The employers explained that as a small business they had inherited the rates paid to longstanding employees from the previous owner-operator. Consequently there were some inconsistencies between the classification levels applied to staff that had continued from that time.
Managers from one of the large hospitality enterprises stated that they passed on the minimum wages increase to floor-staff earning a rolled-in overaward hourly rate of pay. The employer re-worked the formula determining the new rolled in rate using the award base hourly rates. Salaried managers at this site were given a 3 per cent wage increase based on CPI which coincided with the implementation of the minimum wages increases paid to their floor staff.

A small community services operation also passed on an increase to its overaward earning director, but it was of a marginally higher amount than the minimum wages increase. Two employers, a manufacturer and an hotelier, continued their policy of conducting reviews on a discretionary basis, awarding different kinds of increases depending upon the outcome of individual employees’ pay reviews. Two employers, a manufacturer and an hotelier, continued their policy of conducting reviews on a discretionary basis, awarding different kinds of increases depending upon the outcome of individual employees’ pay reviews.\footnote{In total, across all the enterprise case studies, 15 sites had employees and/or managers in receipt of an overaward wage. Of the six sites that paid overaward wages based on an annual review, three did not pay increases to any employees between the phases. A further eight enterprises based their overaward increases on the minimum wage decision. The community services organisation that was not covered by the minimum wage decision did not pay any increase to overaward wage earners as it is the enterprise’s practice to link those wage increases to minimum wage movements. This means that nine enterprises out of the 15 sites paying overaward wages based their wage increases across the organisation on the minimum wage decision. Note: Discrepancies in enterprises paying overaward wages between phase two research and the research undertaken in phase one are due to the incorporation of employees who were previously outside of any award (ie non-award) into the classification structures of the modern award.}

A retail enterprise with a policy of basing overaward increases on individual reviews paid no overaward increases between the phases of research. As a medium sized retailer with very few overaward recipients, it may have been the case that no annual review fell within that calendar period.

The relative impact of increases to overaward rates of pay as compared to minimum rates of pay was difficult to ascertain in terms of the overall increases to labour costs in enterprises. However, at the discretion of the employer, the minimum wages increase, in terms of quantum and timing, impacted on many of the overaward earning employees, with half of those enterprises in the study that paid overaward rates of pay passing on the increases around the time of the implementation date of the Annual Wage Review 2009-10 Decision (1 July 2010).
8 Employee experiences between phases one and two of the research

Employee participants who remained in the study reported very few changes to their working and household circumstances between phases one and two of the research. As was the case with most case study employers the key change, for those employees who received it, was the minimum wages increase. While hours of work changed slightly for some employees, most of those adjustments had only moderate impact on their earnings. Employees with fluctuating hours continued to experience similar patterns of hours. A small group of employees experienced changes to their living circumstances, in most cases through moving in with others, which tended to improve their standard of living by combining household financial responsibilities. One employee was promoted and a few others increased their earnings due to annual increments within their grades, progression up the junior/apprentice/trainee wage scale or movement into the study enterprise onto a higher wage rate. Where this happened, the impact of the minimum wages increase appeared to be of relatively less significance in the minds of the employees than the increment or other form of wage rise. This was particularly the case for the two apprentices who complained of low wages, one of whom was able to move out of home due to movement up the apprentice ladder. Several new participants joined the study in this phase to replace others that had left the case study enterprises since the first visit. The experiences of those employees echoed the employee experiences described in Part 1.

8.1 Minimum wages increases for minimum wage-reliant workers

Findings from phase two research interviews indicated that knowledge of the minimum wages increase amongst minimum wage-reliant employees in the study varied.

For example, some minimum wage-reliant employees who were seemingly entitled to the minimum wages increase, but who did not receive it, seemed unaware of either the Annual Wage Review 2009-10 Decision or that they were due the increase. In several cases the individuals had received some form of pay increase since March 2010. But in all of these cases the increase pre-dated the minimum wages increase and fell short of the award rate they appeared to be statutorily entitled to as at 1 July 2010. None of the employees in question seemed aware that they were being paid less than award rates, with all assuming they were paid the correct rate. The discrepancies were established by researchers after the interviews by investigating the relevant transitional pay summaries and other instruments.

Employee research participants at the community services enterprise covered by the Division 2B State award (who were not entitled to the minimum wages increase) expressed disgruntlement at the lack of a wage increase. They echoed the sentiments of the enterprise’s CEO, believing that the static wage level further exacerbated the barriers to working in the not-for-profit sector due to the low pay received by workers in this sector, compared to rates paid by competitors in the government sector. One employee explained how, over time, recruitment of employees has become more difficult and how this in turn has impacted on the people who work in the enterprise:

---

24 The exception was an employee in a community services organisation who, as part of a regular change in the roster covering the work unit, stopped working weekend shifts, which led to a drop in earnings.

25 An apprentice chef had moved states and sub-sectors to work in the study enterprise. They believed their earnings improved by transferring from a lower paying award to the award covering the study enterprise.

26 There was one example of an employee who did not receive a wage increase due to a re-classification process triggered by the transition to the modern award. It appeared, based on information from the employer, that the employee had historically been over-classified and, taking into consideration the appropriate classification and the minimum wages increase, their wage rate remained the same. This appeared to accord with researcher investigations. However, the nuances of appropriate classification are difficult for anyone outside the enterprise to determine without focused examination of the employee’s job tasks over time.
... And we’re not keeping good workers because of the rotten pay, we train people up and then they’re leaving. So we’re continually being disadvantaged because you’ve got to then re-train more people. I do the training of the induction course for all the new staff that come through, and we used to do, like 20 years ago, we used to do one a year. Then we increased it to two a year, well, we’ve done four this year, and I’ve got another one where I’ve got to work all day on Saturday... and I’ve got 50 people coming to that and if I’m lucky, I will keep four or five of them. Again, it takes all that time. [Community services worker]

Most of the employees who had received the minimum wages increase in the second phase of research were able to identify that they had received an increase in their base rate of pay. The exception tended to be amongst new employees who were not employed, or who had only been employed for a short time, at the organisation prior to 1 July 2010. Most employees who were aware of the increase in their wages were able to explain, in general terms, the source of the increase. They understood that the minimum wage had been increased by a process outside of the enterprise and determined somehow by the government. When asked about the source of the increase, employees answered:

Employee: Thanks to Mr Kevin Rudd or Julia Gillard.

Interviewer: So the government gave you a pay increase?

Employee: Yeah, for everybody. A low income, yeah. [Manufacturing worker]

Interviewer: So it looks like you got a pay increase, why did you get a pay increase?

Employee: This increase is from the government. [Manufacturing worker]

I think it was because we’re on the low wage income earners, it was a government thing, it wasn’t through [the enterprise], like everybody that has a low income, I’m not sure but I think it was roughly like $20 or something like that. [Retail assistant]

For some employees the wage increase was unexpected and they did not know where it came from. In most of these cases they tended to assume it was at the discretion of the employer. Some employees were informed by management of wage increases and others described discovering a change in their pay slips. It was common for employees to accept the pay increase without worrying too much about its origin.

Interviewer: Do you know why the wages went up?

Employee: No. We just went, ‘You beauty.’ Don’t worry about asking [employer] why, just ...

Interviewer: Did you know it was coming?

Employee: No.

Interviewer: It was a surprise?

Employee: Yes. [Community services worker]

Something about - they told us and left us a note but I’ve completely forgotten because all I saw was dollar signs going up. But it’s something about there’s going to be a pay increase in the next five years or something else or other like that. I don’t know what that is. [Hospitality worker]
Employees, particularly those in low paid minimum wage jobs, expressed a degree of fatalism about wage-setting and felt they had little or no control over when, why and how they got wage increases. One such employee explained:

I come to work and do whatever and then go home again.

Interviewer: So in terms of your pay and whether you can meet your living costs, do you have any views on that?

Employee: Yeah, it is but it’s no use getting worried about it because what can you do about it? Like everyone’s in the same boat so we all work and pay our bills and that’s the way it is. [Retail assistant]

While employees regarded the increase as important, most commonly saying that it was ‘better than nothing’, none regarded the increase as changing their circumstances to any great extent. Employees often described using the extra income to offset the increasing cost of bills or to provide a buffer against unexpected costs, as described in the following quotes:

Interviewer: Has that made much of a difference to your living circumstances?

Employee: Not really, it just gives me more money to pay on bills, that’s all. [Hospitality worker]

Well my electricity bill was through the roof so any little extra would help I suppose. [Community services worker]

Employee: …the last pay rise helped a little bit.

Interviewer: Can you tell me in what ways it helped?

Employee: It just gives you that little bit extra to put away and pay any unexpected bills and that. [Manufacturing worker]

8.2 Wage increases for overaward earners

For most overaward employee participants who received a wage increase between research phases one and two, this increase was based on the minimum wages increase or was delivered as part of a regular annual pay review at the enterprise. A chef working in a hospitality enterprise received a $3 500 annual salary increase (approximately 4.7 per cent) for improving the profitability of the enterprise’s catering operation. A chef at another enterprise had ‘missed out’ on his annual review because he had been on leave, but fully expected to have a ‘late’ review.

Employees earning overaward rates of pay who did not receive a wage increase over the period in question worked in enterprises where salary reviews had historically been ad hoc and exclusively at the discretion of management. A chef explained that the low turnover at the enterprise meant that he had not asked for an increase, principally because he felt it was inappropriate given the state of the business. A manager at an enterprise believed that he deserved an increase, given the high volume of unpaid hours he worked in the business and the understanding that those hours were about to increase further, but was certain that any request for an increase would be rejected. He went on to explain that his (mature) age precluded him from finding work elsewhere, despite his strong belief that the wage he was receiving was inadequate. He stated:

Interviewer: In terms of the wages, how do they compare here with other jobs you’ve had?

Employee: Oh it’s the worst wage I ever had.
**Interviewer:** Worst wage? So why do you stay?

**Employee:** Well I think at my age, in other [enterprises] they’d take one look at me and they’d say ‘No, too old’. … They don’t tell you that, but you can tell just by looking at their faces...

### 8.3 Experiences of vulnerable employees and new information from participants in phase two research

The following section summarises some of the issues relating to employee experiences that arose in the second phase of interviews as well as highlighting some of the issues raised by vulnerable workers within the study. Those employees who described feeling vulnerable were generally referring to a lack of confidence that they would be able to find other work if they became unemployed. These workers generally fell into at least one of the following groups: mature aged, very young, women with caring responsibilities, and/or migrant workers. All felt disadvantaged in some way in the labour market. In most cases, however, they were happy at their workplaces and grateful to have secured some form of employment.

Two 18-year-old workers described the difficulties that they had encountered in gaining casual employment. Both had searched for work for just over six months, finally gaining employment with an enterprise in the study. Their experiences of job hunting were remarkably similar. Neither had worked regularly before and believed that their lack of experience and their ‘older’ age relative to other junior job applicants made them less attractive to employers. They explained:

*It’s really hard now. And they always want experience, so with a lot of employers, if you don’t have experience, they don’t even look at your resume.*

**Employee:** It’s very difficult because I’m older as well, and of course most employers want younger people so it’s less [lower pay rates] …

**Interviewer:** They want young people because they can pay them less?

**Employee:** Yes, basically and I haven’t had enough experience in [industry] areas and I’m like, I’m not going to get it if no one gives it to me, I’m not going to get the experience. It’s been really difficult for me to get a job.

Another two participants described the circumstances of their second jobs and how constrained they were in leaving employment that was ‘soul destroying’ in one case and ‘bad for your health’ in the other. Both wanted more hours of employment at the case study enterprise and to leave their other jobs at enterprises that were not in this study.

The first, a recent migrant to Australia, was working at a processing factory and claimed that they and their colleagues were underpaid and working in an unsafe environment. The participant recounted the poor conditions at the workplace:

**Employee:** I know this is illegal, so many things illegal there, there are so many things. If you go there, ask any employee and they are afraid from that job, seriously. I joined this company two years [ago], the [non-study enterprise] factory, and what happened we used to get $17.00 when the main contractor was there, when he went to Brisbane, he brought this sub-contractor and they reduced from $17.00 to $16.00, and this mean bullshit things, sorry to say that, that means bullshit in here.

**Interviewer:** So did anyone leave when that happened?

**Employee:** Yeah.
Interviewer: So the employees, what did they do when their wages dropped?

Employee: Nothing.

This employee explained how important his job in the case study enterprise was to them, highlighting the wide range of work experiences people can have in the labour market and the circumstances that can confront vulnerable workers in the unregulated sector:

Interviewer: What do you like about this job [the case study site]?

Employee: This one – it’s very good because everybody’s care for everyone, that’s the best part of this company, everybody’s helpful. My manager … is really helpful, he can make clear everything in a very nice way, so that person can understand like, this is your job and you have to do it, and the rest of the people they are very good… everyone.

In a second case, a single parent of three dependents described the difficulties they were experiencing in working two casual jobs to earn a living wage. Their circumstances illustrate the difficulties associated with keeping two employers happy. When asked how long they expected to remain working in the case study enterprise, the worker replied:

Employee: … Hopefully forever actually, because I really like this job. It is better than the one I am still doing.

Interviewer: Tell me about that then? Why do you like this one more than that one?

Employee: That one, the lady who owns the business, she is very, very rude, very arrogant. She will say, ‘Come in, we need you’ but then she will turn around and say, ‘No, sorry, we don’t’ and it is just like ‘You can’t do this because I have kids’. I say this to you, I need to work and every time I stated this everybody else seems to get work not me’….

Interviewer: So on average how many hours are you getting there?

Employee: Well it is basically when she calls me now because she didn’t like the idea that I’ve got another job and she is being even more vicious than what she previously was so I am hoping that if this picks up a little bit more maybe I get full-time hours [at the study enterprise].

Interviewer: So she is giving you fewer shifts?

Employee: Yes. I was pretty much doing five days a week with her as well and as soon as I said ‘Look I’ve got my old job back and I am really quite excited about it’ she started getting very vicious.

While this worker would have liked very much to resign from the second job, they felt compelled to ‘hang in there’ until they had secured enough hours at the case study enterprise.

Pursuing rights and entitlements

In a final case, a young worker was trying to establish their legal wage rate. They had requested information from their employer and had received vague answers. They had visited employment information websites and discovered that they needed to know the ‘old award’ to ascertain their new hourly rate. This employee was reluctant to request the information from their employer given the employer’s apparent reticence to answer other questions about their employment, and described the difficulties obtaining information on the correct pay rate:
I try to ask [them] questions like that, and [they] sort of just brush it off and does not really answer it, and then I’m like ‘What can I do?’ I always try to, you know how it says online it says ‘find your award rate’ or something, ‘find your pay rate?’ And then there’s questions where I get stuck, because I don’t know what industry is this, and with the levels, I don’t know what levels. Because you know there’s seniors and there’s Level 1, Level 2, Level 3.

The young worker, who had suspicions that they had been underpaid, was unable to resolve the issue given their lack of knowledge. In the end this individual gave up seeking information from their employer because they was afraid that if they pursued the issue any further with the employer they would lose shifts. The worker explained:

That’s what I’m scared of. … Sometimes I feel like I’m going to get, like I did something wrong. That’s why I’d rather just ignore it.

**Delaying retirement**

An issue that arose during employee interviews that was not outlined in the phase one research was the impact of the global financial crisis on people’s retirement plans. Several employees in the second phase of interviews discussed how they would now need to work more years than they had previously intended in order to top up their superannuation accounts. These were workers in their fifties and sixties, all of whom were women.

**Overaward rates and long hours**

Part 1 examines the extended hours worked by many overaward wage earners in the hospitality industry, mostly chefs. Often these annual salary earners are working in excess of 60 hours a week, in some cases up to 70 hours a week at case study enterprises. The experience of a hospitality worker exemplifies the level of inequity that some chefs have spoken of. Despite being a qualified chef, this worker is currently working as a casual waiter at one of the enterprises in the study because the money is better for the hours that are worked. They explained:

**Employee:** Because I kind of go in and out of cheffing, when I get a bit over working in kitchens, I’ll go do some front of house work. I’ve done plenty of both in the last ten years or so … And there’s probably better money as a casual waiter than there is as a full-time chef.

**Interviewer:** Right, can you explain that to me how that works. How could that possibly be so?

**Employee:** Probably because I’ve always worked for smaller businesses when I’ve been a chef, generally you get put on a salary, and you end up working a lot more hours than you’d like to. For example at my last job, I was on something like $44,000 a year, and I was working about 65 hours a week, that was just on a salary. So to work 45 hours as a casual staff member here, you actually end up being much better off.

The employee also explained that although at times there were shortages of high end waiting staff in the area where the enterprise was located, this was not always the case and that for the financial benefits of working as a waiter to be realised, the hours of work need to be available:

This is the first time in a long time I’ve been in a place where the work has been consistent. So I think hospitality staff generally, there’s so much work out there, and there’s so much demand in this city for staff that really you just know that if things aren’t working out for you in your current job, you can just go find something else. … Well once I knew the place was short staffed, I put my hand up and said I’ll do what you need me to do. When you’re a casual, you’ve got to make hay while the sun shines, and if the hours are there, then you’ve got to jump on them. When I first started at [the enterprise], it was a bit sporadic, and there was plenty of weeks you might end up scratching around doing 20 hours, which can be a bit of a struggle.
An additional potential contributor to the shortage of chefs, frequently referred to by hospitality employers in the study, related to the long hours worked by chefs. These were described by a senior chef who described how long hours working gave this individual very little time to do anything else:

One of the main things is that they all complain it’s hard to find chefs. Yes, of course it’s hard, because nobody wants to do it, because people are not stupid. At the end of the day you born, you live, you die, in this period you have to enjoy. You said I work as a chef, yes, and what do you do? You just work.
9 Changes at the enterprise level between phases two and three of the research

In the third phase of the study there was little evidence of a single significant change commonly felt across the sites or sub-industries. This contrasts with the period between the first and second phases, as recounted in section 7.3, which describes how most enterprises experienced the minimum wages increase and transition to modern award wage rates.

Most changes in revenue and/or costs that took place at the enterprises between the second phase fieldwork (in July 2010) and the third and final phase visits (in November 2010) were slight and nearly all were predictable from the employer perspective, the prime example being the seasonal growth in trade experienced at many sites (the exception being community services operations where the demand for services for which they had contracts continued to be stable).  

Three operators that were required to pay the 2010 minimum wages increase had not done so at the time of the July interviews. Two of those businesses appeared to have commenced payment at the relevant award level, leaving one firm apparently non-compliant with the minimum wages increase by November 2010.

Significant shifts in labour costs took place at four sites. Two operations decreased their costs. At one of the enterprises that shed staff between March and July (a manufacturing operation) the employer continued a program of retrenchment between July and November to deal with the ongoing low levels of trade. At the other enterprise that underwent job cuts between phases one and two, considerable further labour cost savings were made by replacing salaried managers who left the operation with much lower paid employees performing the same roles. Labour costs increased significantly at two sites. A retailer rehired a large number of casual staff to deal with a jump in seasonal trade and at a manufacturing site staffing was increased significantly to fill new contracts for orders.

There was a continuing program of refinement of rostering practices evident at most enterprises, in keeping with labour management strategies described in previous phases of the study. This enabled some enterprises to contain labour costs. There were also examples of enterprises saving on labour costs through restaffing at lower pay rates after staff turnover. There were a handful of unpredictable critical incidents such as industrial accidents and unanticipated staff turnover that counter-balanced reductions in labour costs at some sites.

Employee experiences changed very little between the phase two and phase three interviews. There were some changes to individual circumstances and to work conditions and earnings; however, in most cases these changes were moderate in scale and scope.

9.1 Context and operating environment

Overall pressures associated with the industry, sub-industry and broader economic environment remained the same at each site. The only exception of significance was the increased cost of a key ingredient for the food manufacturing site. The increased cost was being absorbed by the enterprise at the time of the fieldwork and the operator planned to pass on the increase to customers in early 2011. It is important to note that price movement in raw materials for this enterprise was common (as was the case at other manufacturing sites) and regarded by the employer as a fact of doing business. In another manufacturing site the cost of production materials

---

27 Stable demand here refers to the continuation of previous levels of demand. Interviewees characterised the nature of demand in different ways, for example some participants discussed ‘unmet’ demand. Overall, the nature and level of demand at community services case study enterprises did not change significantly between phases two and three of the study. This contrasts with most case study enterprises in other industries where demand underwent a slight seasonal shift upward.
decreased during March-July and July-November as a result of currency fluctuations. Additionally, seasonal fluctuations in trade evident at the enterprise level were also anticipated by industry stakeholders and operators alike.28

Employers confirmed that the fundamental circumstances operators faced across the sectors followed the same trends as described in Part 1. Enterprises where trading conditions were down on previous years were experiencing the same pressures. Any changes in the impact of the overall environment were related to how those factors were experienced locally and largely resulted from seasonal fluctuations in trade or demand, rather than transformations in underlying conditions across and within sectors. Employers reiterated that utilities costs were continuing to grow.

While there had been no major changes in the environment between July and November, significant regulatory reforms were anticipated by hospitality employers with gaming facilities and at community services operations in child care and disability services. While hospitality employers believed the reforms would lead to structural change at the site level, in most cases the full implications for employment were unknown and planning for the changes had not been undertaken. The exception was a multi-site enterprise where corporate management had made a capital outlay to mitigate against negative impacts. At this enterprise new jobs were expected to be created. The immediate effects at the site level were limited to a local manager being deployed across other sites to share his gaming management expertise.

Employers in childcare and disability services continued in this research phase to express uncertainty regarding the impact of (non-wage related) regulatory change (including new child-to-employee ratios in childcare, and an individualised funding system in disability services). The childcare provider had already instigated a program of incremental fee increases to deal with anticipated labour costs. Disability employers, on the other hand, while planning organisationally for changes to the funding system (which predominantly consisted of training staff), were not in a position to undertake such a planned approach to budgeting given the nature of funding. Their economic prospects depended more directly upon future choices made by service users and decisions made by individual clients as to where they will direct funding. It was anticipated that there may be some impact across the sector on staffing numbers and possibly categories of employment.

9.2 Revenue

Most enterprises in the study experienced a marginal growth in revenue between July and November compared to the period between March and July. Two of the community services operations received additional funding for new services while another increased user fees. Most operators in manufacturing, retail and hospitality enterprises experienced predictable seasonal increases in trade. However four operators in those sectors regarded the increases as having occurred for reasons other than seasonal changes. A small number of enterprises maintained consistent levels of revenue, and in one case an operator reported a marginal reduction in ongoing low levels of trade.

The more marginal movements in revenue reported in this phase of the study—primarily those that were seasonal in nature and took place at the majority of sites where revenue grew—were often offset partially or entirely by other costs or savings, particularly increased labour costs due to growing trade. So while trade may

28 See section 6.2.2 of Part 2 for an explanation of the stakeholder engagement process in phase three of the study. Stakeholders were invited to share their perspectives on changes to the external context that may have taken place between July and November 2010. The majority of stakeholders elected not to add to comments that had already been made in phase two. Those who did offer comment echoed the view expressed at the enterprise level that there had been no notable change to regulatory frameworks, economic conditions or relevant sub-industry specific pressures within the specified timeframe.
have increased marginally for most and remained stable or reduced for others, most employers reported that their operations had tracked fairly consistently over the year, meaning that those operators having a ‘bad year’, continued to do so and that the increases in revenue were not being seen as an indication of trade picking up more generally. The exceptions were at two sites where business had increased ‘above the curve’. None of the case study enterprises reported experiencing a similarly remarkable decrease in trade. The two employers who took significant measures to reduce the wages bill between July and November did so to deal with ongoing low levels of trade that rendered their wages bill unsustainable, rather than as a result of a recent drop in revenue. They were the same two enterprises that had made staff cuts between March and July.

9.2.1 Community services

As outlined in the first phase of research, revenue for most enterprises in the community services sector is principally governed by funding regimes. In the third phase of research, two of the operations in the study received an increase in funding to provide additional services. This additional funding was used to deliver those services, and included increases to employee numbers and labour costs. At one of those sites finances more generally had ‘settled’ due to the bedding down of new contracts and final repayment of debts that had accrued over the first period of the main contracts. At the child care site fees were increased while staff numbers and hours of service delivery stayed the same. At the remaining two sites funding and services delivery remained relatively stable.

9.2.2 Manufacturing, retail and hospitality

Revenue grew marginally between visits in July and November at most hospitality, retail and manufacturing sites. The remaining two sites (one each in manufacturing and hospitality) continued to experience continuing low levels of trade described by the owner-operators in July.

Seasonal increases in revenue

In the majority of enterprises that experienced a growth in revenue employers reported that the increases were primarily due to seasonal trading fluctuations, were at fairly low levels, and had been anticipated by operators. Some employers could pinpoint specific annual events, including the Melbourne Cup and Halloween, which had contributed to increased takings. Others, particularly those in retail and hospitality, observed that warmer weather was a driver for increased visitation and spending in their sub-sectors. These seasonal factors had been identified in previous interviews with both employers and stakeholders in retail and hospitality.

Employers had implemented other strategies to improve trade over the period in question. A retail employer who had been new to the business at the beginning of the study recognised that trade had improved due to local weather conditions. However he also believed that specific strategies such as reducing waste and stock loss—more recently via introducing a supervisory structure—had contributed to improvements in revenue since July. Other employers also suggested that strategies they had implemented to improve turnover such as discounted ‘meal deals’, better stock management, and minor refurbishments may have had some positive impact on revenue. However, given the timing of the improvements and the nature of the changes in trade, most regarded the improvements as being primarily a result of seasonal patterns consistent with other years.

In addition to seasonal peaks in trade at two hospitality sites increases to pricing occurred over the period as part of the standard cycle of pricing review. At one of those sites this was in concert with increased trade and was seen as responsible for lifting labour to sales ratios back to levels experienced prior to the minimum wages increase.
In some cases the seasonal improvements were reported as being at levels below those experienced at the same time in previous years, with employers explaining that the growth was building on a comparatively low base. Affected employers believed that discretionary spending continued to be down overall compared with previous years, although some regarded their businesses as somewhat insulated from the full effect of the GFC. Most employers saw their overall trading position, despite seasonal growth, as going neither forward nor backward and that the recent fluctuations in trade were marginal and consistent with expectations.

**Non-seasonal increases in revenue**

Four enterprises with increased revenue (two in manufacturing, and one each from retail and hospitality) did not identify seasonal fluctuations in trade as a primary reason for growth, and in the case of one of the manufacturing sites seasonal fluctuations had never been a factor at that time of year due to the nature of the business.

A furniture manufacturer won a large order that increased revenue for the November period compared to July. Managers at the site regarded the increase in revenue as typical of project based businesses where there are non-seasonal fluctuations in demand. However, in better years the winning of contracts had been more consistent and less likely to result in periods of downtime which had more recently become a feature of the business. Consequently the new contract was seen as a short term and immediate increase in revenue rather than being part of an improvement in the ongoing flow of income.

The manager at the hospitality site, while expecting a seasonal improvement, believed it had been masked by an overwhelming and ongoing growth in trade, which had meant that they were anticipating this to be their ‘most successful financial year yet’. This had been put down to successful renovations, particular improvements in the bistro operation and changes to the gaming system at a nearby competitor which led to disgruntled clientele moving their custom to the study site.

The food manufacturer was in the process of expanding the operation. This included a major upgrading of the facilities, the development of four new lines of product for a large existing client, and the introduction of a new major customer. The growth in revenue at the site was strong and was anticipated to continue and settle at levels higher than prior to the commencement of the new contracts.

A retail operator with multiple businesses had been experiencing a drop in trade at the study site leading to a 20 per cent loss in profit over a three-year period. In the two months leading to the November 2010 site visit the owner had taken over from the local manager in an attempt to improve the store’s trade. Over that period sales had picked up by five per cent. The operator did not regard the improvement as seasonal and believed that putting effective management in place to increase productivity led directly to the improvements in sales revenue.

**No increases in revenue**

A manufacturing site and a hospitality site reported no increase in revenue between July and November. Both claimed that the low levels of revenue experienced between July and November were a continuation of the reductions in trade experienced over a longer period. In the case of the manufacturer, prices had been increased but the potential rise in revenue was offset by a continuing drop in orders. The hospitality enterprise had no significant change in trade between July and November, where a marginal seasonal increase would have been expected, but reported that the business was ‘tracking better’ due to instigating leaner rostering and closing the business early.

---

29 The owner identified that improvements in revenue were accompanied by savings being made through better stock purchasing decisions and improved management of the roster.
9.3 Non-labour costs

Non-labour costs continued to be scrutinised by employers for opportunities to reduce spending in phase three of the research. Two enterprises had saved on costs by closing and/or selling other sites or stand-alone operations. In one case, this change had been planned for some time and discussed in earlier interviews. Other employers described reducing internet and electricity costs and sourcing cheaper materials and stock. Larger organisations described ongoing programs to further exploit economies of scale.

Non-labour costs increased at an enterprise where expensive and hard to replace stock had been stolen. Other employers complained that utilities bills, rubbish collection and other essential services for the business were getting more expensive, with one employer describing a $20,000 increase in the last quarterly electricity bill.

Several employers discussed increases in the indirect costs of employment, including dealing with workers compensation claims, the impact on of regulation upon staffing levels and the resources that are required to adhere to all forms of regulation, including labour standards. In the case of small businesses this tended to manifest in increasing hours for owner-operators, although one enterprise intended to put on another staff member to assist with administration for compliance. In larger operations it tended to mean increased workloads for human resources departments and in some cases legal fees.

9.4 Labour management: labour costs, hours and categories of employment

As has been explained by many employers throughout the course of this study, the principal levers available to reduce costs to the operation are associated with the direct deployment and management of labour. Employers have frequently pointed to tweaking the roster and the selection of different categories of employment as assisting them in controlling costs. The data from this phase of the study is where we would expect to see the major changes and adjustments to labour management strategies that might result from increases to costs, the most significant of which have been due to the minimum wages increase. However, the study found relatively limited evidence of significant changes to labour management at most enterprises taking place after the minimum wages increase between July and November. Any changes that did take place, in the most part, had been anticipated in interviews conducted with employers in March and appeared to have their genesis in forces other than increases to pay rates. When employers discussed changes to labour costs in this phase of the study they were generally describing very slight adjustments. The types of standard operational changes to employment made at enterprises between July and November included:

- rostering to cover peaks in trade;
- rostering to cover absences;
- rostering to maximise productivity and/or save on labour costs;
- owner-operators working more or less hours in the business; and
- employees incrementing through grade scales (juniors, apprentices, trainees and community services employees).

Other changes that took place less frequently at enterprises but still appeared to be part of the regular ebb and flow of the operations where they occurred included:
• discretionary wage increases for overaward employees;
• replacing former employees with lower-paid employees;
• reducing or increasing the number of casual employees; and
• making casual employees permanent.

Less common labour adjustments that were evident in this phase of the study resulted in either reductions or increases in the number of permanent employees at a handful of enterprises. There was very little evidence of large hours adjustments taking place other than through redundancies or expansion of the workforce.\(^{30}\)

The following section looks at the combination of labour management changes made at each enterprise between July and November, and the effect this had on costs for the operation. The detail of this evidence is reported by examining, in turn, enterprises that increased their labour costs; those that decreased labour costs; and those that maintained the same levels. The section starts by looking at the labour management changes made at three enterprises that appeared to have not paid the minimum wages increase at the time of the phase two interviews. Descriptions of these enterprises are generalised to maintain confidentiality. This is particularly important where issues of compliance are touched on.

9.4.1 Enterprises which did not implement the 2010 minimum wages decision in research phase two

As discussed in the phase two findings, there were three enterprises where researchers anticipated that the 2010 minimum wages increase should have been applied but found that it had not been applied by the time of the phase two research visit (two weeks following the date of effect of the Decision).\(^ {31} \) By November, however, two of the three non-compliant sites had increased their rates in line with the relevant award rates.

By the third phase of interviews an operator who had paid partial increases to some staff had replaced most of those staff with new employees. In the process the new employees were employed on the applicable modern award rates, thereby aligning all employees to the relevant minimum wage. Labour costs at the site, according to the employer, appeared to be stable despite increased wages costs resulting from application of the minimum wages increase. This appeared to be due to the fact that a full-time casual adult employee was replaced by two part-time juniors, thereby reducing the hourly rate paid for each hour of work performed. This employer also saved on rental costs by relocating from rented premises to fully-owned premises.

Another employer, upon receiving wages advice from a contracted bookkeeper, adjusted payment to the appropriate transitional modern award rates. However, the employer reported that wage costs had remained stable despite increasing base rates of pay. He had managed this by continuing a program of trimming shifts and closing early when trade was slow. This strategy had become more available as he had replaced most permanent workers with casual employees. He also regarded casual employment as cheaper, estimating that he had saved $700 in weekly payroll in owing leave entitlements. It should also be noted that this site was effectively being wound down by the owner-operator, soon to be demolished to make way for a much larger enterprise.

At a third site the minimum wages increase appeared to have still not been paid. The employer continued to seem unaware that there was a legal requirement to increase base rates. Newly appointed employees were paid

---

30 The exception was a fast food operation were the hours changes were extreme due to the nature of seasonal fluctuations in demand. So while the hours changed rather dramatically, this was due to a predictable and regular increase in trade rather than unusual circumstances.

31 It is not known whether the two enterprises that belatedly paid the minimum wages increase back-paid staff to 1 July 2010 as this was not investigated by researchers.
at the same award rates received by minimum wage-reliant workers at the site in March 2010. Longer serving staff, while receiving a small increase in their hourly rate of pay between July and November, still appeared to be receiving a rate below that prescribed by the award. In addition it seemed that other wage-related award provisions were continuing to be underpaid across the site. The employer reported an overall increase in labour costs as a result of the discretionary pay increases paid to two staff. He explained that he had increased wages for these employees because he felt they were working hard, taking on extra responsibility, and that a failure to recognise this with a wage increase may have led to them leaving. A permanent staff member had left to take up another job. The hours associated with that role were redistributed to other casual workers and some residual tasks were taken up by the owner-operator. Consequently the core employee hours in the business remained fairly stable while the wages bill had increased marginally based on wages lower than what was legally required.

Wages for overaward recipients did not increase at these enterprises between research phases two and three. While the employer at the apparently non-compliant site believed that he was paying overaward rates of pay and referred to increasing wages for two employees, it appears more likely that they were being paid below the award due to the quantum of rates and the mistaken belief of the employer that the entry level rate constituted the ‘minimum rate’ and that rates above that in the award classification scale were ‘overaward’. The status of ‘overaward payments’ made to employees at the other two sites in this category was also questionable. Certainly some employees did not think they were being paid above the award and others believed their overaward salaries did not recompense them for the hours they worked. This was hard for researchers to verify given complications regarding correct classifications as well as difficulties associated with calculating irregular hours against relevant penalty rates and overtime provisions. This degree of forensic examination of individual rosters, earnings and job tasks was not possible within the scope of the project. However, the view expressed by some employees was that either the rates they were paid did not cover the hours they worked, or the hourly rates they were paid were not above those provided for by the award.

At all three sites there was significant turnover of staff, with the majority of people employed at these sites at the beginning of the study having left by November. As a result the proportion of casual staff also grew, with employers explaining that they preferred to hire employees as casuals, test their employability, and then consider making them permanent at a later time based on their performance. However two of these employers had previously expressed a preference for some permanent staffing but by the final phase of the research had begun to reconsider their thinking based on what they saw as negative experiences with permanent staff. In one case an employer expressed resentment at a staff member using their sick leave entitlements upon being made permanent, and another described difficulties in finding committed and capable staff.

9.4.2 Enterprises with stable overall labour costs since the 2010 minimum wages decision

In addition to the two enterprises described above (which belatedly paid the minimum wages increase but maintained stable labour costs), a further seven enterprises maintained relatively stable labour costs from July (after applying the minimum wages increase) through to November. In effect these sites made very few changes to employment that had impacted on weekly payroll levels. Three of the community services operations fell into this category, along with two manufacturing enterprises, a hospitality business, and a retail outlet.

At two sites where modifications were made to employment the increases to the wages bill were offset by other labour savings, rendering the changes cost-neutral. For example a wage increase paid to an apprentice
at a manufacturing site was offset by the resignation of an administrative worker who had not been replaced at the time of the November site visit. While the retail operator did report a slight seasonal pick-up in trade it was dealt with, where possible, by maximising supervision to increase efficiency and productivity rather than increasing employee hours. They also did this by making slight roster changes, employing senior staff to cover hours previously undertaken by juniors. This change was seen by the employers as cost-neutral but more productive. The senior and more experienced staff, while more expensive per hour, could get a wider range of tasks performed within a shorter period of time than the junior staff and did not require constant management supervision in the same way that junior staff did. These employers also reported working more hours in the business themselves. When pressed to explain why they had increased their own hours it appeared to be motivated by a combination of factors—the need to contain labour costs but also to provide hands—on supervision and maximise efficiency of all staff.

A hospitality site reported two distinct trading trends between July and November - a peak in trade over the August period which led to an increase in casual wage costs, followed by a very slow period in October when casual hours dropped below standard operational levels. Consequently the employer reported the labour costs over the period balanced out, remaining within expectations and stable overall.

One of the community services sites did pay minor increases due to some employees advancing through the levels of their pay grades. However, it was noted that, due to turnover of other staff, these types of movements in costs were negligible in the overall wages bill.

### 9.4.3 Enterprises with an increase in overall labour costs since the 2010 minimum wages decision

Overall nine sites reported increasing their labour costs between the second and third phase of the study. At three of these sites operators explained that increases to labour costs were generated by a growth in employee hours of work to deal with peaks in trade. These sites (one in retail and two in hospitality) experienced seasonal increases in trade, and had experienced similar movement in demand at the same time in previous years. The retail site had also expanded the roles of several casual staff to include some supervisory responsibilities. However, this appeared to be recompensed via ad hoc discretionary bonuses rather than by paying all staff a supervisory rate for the period of that work.33 One of the hospitality sites, a large operator with multiple sites, hired two or three additional casuas, explaining that at around the end of the year casuals graduating from university often left the enterprise to take up alternative employment. Recruiting additional casuals in October and November allowed them to deal with the peak in trade and ultimately replace the casuals they expected to exit.

A manufacturing site had increased employment at the site in response to a large spike in orders from an existing customer and a new contract coming on line. The managerial capacity of the enterprise was expanded with the recruitment of a business development manager and a production manager. A previously casual employee was made permanent and full time, thereby increasing his hours of work and overall earnings. An extra casual position had been created and filled, and the number of casual hours being worked had increased overall. In addition two permanent staff members received an increase in their hourly overaward rate of pay. The employer explained that this was because they had not received increases for more than a year and it seemed the appropriate thing to do. The growth in revenue meant that the increased labour costs across all of these areas were being easily absorbed at the time of the interviews.

A hospitality site that experienced seasonal peaks in trade appeared to have dealt with the increases in workload

---

33 Whether this constituted non-compliance with the award by failing to pay staff at the appropriate classification level is unclear. While the employer stated there had been a change to the roles this was not echoed by affected employees, who believed there had been no significant change in their duties compared to what they had done in the past or compared to the duties of other retail assistants in the enterprise. Nor did they report receiving any bonuses.
through work intensification. This was particularly evident in one part of business where the peak in trade coincided with unexpected staff absences and labour turnover. The increase in labour costs appeared to have been as a result of needing to create an extra shift to comply with licensing regulations for gaming.

A retail outlet, which was one of a number of businesses owned by the operator, had been going through a dip in overall trade for three years. In an attempt to increase sales the owner had engaged a store manager to improve productivity. When productivity did not improve and employee hours grew the owner took over management of the store. In his view while the employed manager had presided over an increase in the payroll there had been no corresponding increase in sales. The business owner attributed this to the manager’s relative lack of experience in the role, explaining:

… the productivity is not there when he’s here, it’s the people are taking advantage of his lack of experience and stretching things out, pretending they’re working when they’re not and it’s weeding out all that unproductiveness. Like we’ve got a girl on 25 hours a week and she’s got a job that takes 10 hours a week to do and we know that because we’ve got the experience but the store manager is lacking that strength and that’s where we are walking in and going well, what’s that person doing?

According to the owner, sales at the enterprise increased by five per cent once he took over local management. He regarded this as confirmation that the manager had been over-staffing and under-supervising, which were necessary to containing costs and maximising profit. He did not think that the increase in trade was associated with seasonal factors.

We are not busier because of Christmas at all. We're busier; we were busy recently because we’ve done a better job of internal management of the business and standards when people come in … I would say he’s rostering too many staff on to do the job that doesn’t need that many people, it sounds bad, but it is a tough industry to come into unless you’ve worked in it long enough to know how hard you can get people to work. People will always tell you they are working hard, but it’s also when the shop was doing twice the volume it was before [major chain competitor] opened, people used to go a lot, lot harder.

The owner also explained that due to the drop in profitability at the site he was holding off on making classification changes that may need to take place as a result of the transition to the modern award. He had also ceased the payment of $20 a week to some employees in lieu of penalty rates for occasional weekend work. In effect this weekly amount had been absorbed by the minimum wages increase.

Labour costs increased at two community services operations but were accompanied by funding to deliver the associated new services. Additionally at one of the sites, an attempt to replace agency staff with directly employed part-time workers had floundered due to difficulties recruiting and retaining new employees. Consequently the enterprise was continuing to pay premium rates for agency staff to fill vacancies when they had hoped to have saved on labour costs. As with most of the community services operations in the study, wages increased for employees achieving annual increments through the wage scales in their award. However, as with other operations, this was regarded as having a negligible impact and was managed within the enterprise’s budgeting process as an ongoing wages cost.

---

34 See the Part 3 for discussion of compliance with regard to the correct classification of staff on award scales. This case is a good example of how complex it can be to categorise employees as either award wage-reliant or as overaward recipients. While employees in this enterprise were receiving a weekly amount in excess of the award, their hourly rate was in line with the award. It is hard to assess whether in practice the $20 a week exceeded, met or fell short of what employees were entitled to for the weekend work they performed. Consequently, each affected employee may have been earning on, over or below what they were entitled to under the award. For the purposes of this study we have consistently categorised these employees as award wage-reliant due to their hourly rate. However, there is an argument that they were in receipt of an overaward payment, depending upon the weekly hours that they worked.
9.4.4 Enterprises with a reduction in overall labour costs since the 2010 minimum wages decision

The cost of labour reduced significantly at two sites in the study between July and November. Job losses had taken place at both sites between March and July. More staff were retrenched from the manufacturing enterprise and the wages paid to two overaward managerial positions at a small to medium sized hospitality site were reduced significantly.

Four full-time employees at the manufacturing enterprise were retrenched between July and November which facilitated a drop in the wages bill compared to July. This restructure was part of the ongoing rationalisation of employment numbers to deal with diminishing trade. The owner-operator had increased prices to deal with rises in labour costs after the July wages increase and this had been followed by a further reduction in orders. The owner-operator believed that due to global competitive pressures, the business was unlikely to recover to the levels of employment experienced in previous years. It was much more likely that the trading environment would worsen and that staffing numbers would continue to fall as parts of the business were increasingly moved offshore.

Savings made from wages were possible at a hospitality site where the salaries paid for two overaward positions were reduced. A manager and an assistant manager position had become vacant after the second phase visit and the owner-operators, by recruiting less experienced employees, were able to offer lower salaries than those paid to the previous incumbents. The owner pointed out that the exiting manager, in particular, had received generous pay rises in previous years and this had inflated the salary to a point where high quality candidates could be recruited for lower cost to the business, albeit not as experienced as the previous manager. According to the owner-operator the hiring of lower paid overaward staff had made for a large reduction in the fortnightly wages bill. Casual hours had increased slightly over the period and were being paid for with increased trade. Both owner managers had also increased the number of hours they worked hands-on in the business.
10 Employee experiences: changes between phases two and three of the research

The working lives of most employee participants changed very little in the four months following the phase two interviews. While a handful of participants experienced increases to pay, changes to hours of work, and/or minor modification to the design of their jobs, most employees did not experience notable changes. The overall stability of employees’ working lives and conditions of employment supports the evidence that case study employers did not introduce significant changes to their labour use/employment strategies in response to the 2010 minimum wages increase. This section outlines in detail the key areas of change in the working lives of employee participants since phases one and two of the research. It also sets out further evidence that supports findings from phase one and two interviews.

10.1 Changes to wage rates and tax treatment

Most employees in the study did not receive wage increases between phases two and three of the research. Where employees received wage increases, the increase was usually as a result of the employee moving up the wage scale of their applicable award. For example, a junior employee had their hourly rate increased upon turning a year older and several employees progressed up the classification scale within their grade as a result of the completion of a further year of service.

While most employees welcomed the increase in their hourly rate, they usually did not notice any change in their financial circumstances. An employee who had been absent from the enterprise in phase two received increases as a result of turning 19 years of age in addition to the minimum wages increase, and noticed the jump in daily earnings:

Interviewer: Has the increase in pay made much of a change to your living circumstances?

Employee: …instead of going home with like $80 or $100, I guess I go home with $120, $130 [per day]. I guess all things like it might be only $2 [per hour] extra but all this makes a big difference at the end of the day.

An apprentice at a manufacturing site received an overaward pay rise of around $50 per week. He believed his employer wanted to demonstrate his commitment to retain the apprentice at the site and prevent him from seeking employment elsewhere, given that he was nearing the end of his apprenticeship.

In between phases two and three, employees at a community services enterprise were offered the opportunity to salary sacrifice (that is, they were eligible to receive $16 050 of their annual salary paid tax-free). Salary sacrificing led to a change in the non-wage components of employees’ salaries. One case study participant chose to take up the opportunity and believed that this would save her approximately $50 per week, noting in particular that it would have a positive impact on her pay in weeks when she was not undertaking any overtime.

10.2 Delayed minimum wages increases

As outlined earlier, at the time of the phase two interviews there were three organisations that appeared not to have passed on the minimum wages increase (in addition to the community services enterprise subject to a Division 2B State award). However, by phase three of the research, employees at two of the case study sites that had not initially passed on the minimum wages increase appeared to be earning the correct award rates. As was the case in phase two, one employee continued to be uncertain about the rate they were being paid. Another employee was unable to identify why they had received the increase, as evident in the following exchange with a researcher:
**Interviewer:** Why did you get a pay increase? Do you know?

**Employee:** Because I was a good girl. I don’t know.

**Interviewer:** You don’t know, you just got it?

**Employee:** Yeah, I don’t ask yeah.

**Interviewer:** And how did you discover that you’d had a pay increase?

**Employee:** [Supervisor] told me, you know that the pay this week is $550. So I went ‘good.’

**Interviewer:** Has it made much of a difference?

**Employee:** No, not really.

An employee at the enterprise that appeared not to have passed on the minimum wages increase to employees by phase three of the research had received a pay increase since the previous phase of the research, but the rate continued to be below the level that the researchers anticipated would be paid at the employee’s classification. Another employee at this site was paid the same base rate that was paid to similar employees in March 2010.

### 10.3 Changes in working hours and work intensification

There was some movement in the number of hours being worked by a small number of participants since the phase two visits. Seasonal factors led to temporary increases in work hours for some employees, with several student casual employees noting that they had already picked up more shifts, or were hoping to do so, over the Christmas/summer period.

Some employees reported that working extra paid hours and/or overtime. Several of these workers welcomed their extra hours in anticipation of increases to household spending over the Christmas period or as compensation in advance of the close-down of their enterprises over the Christmas break. This was particularly the case for a group of manufacturing workers who had been undertaking shorter hours in the lead-up to this phase of the research. The following employee described the monetary benefit of undertaking an extra five hours of overtime per week:

**Interviewer:** So has that made a big difference to your pay packet?

**Employee:** Oh a lot of difference – more money – of course!

**Interviewer:** But in terms of you being able to pay your bills and stuff, has it made much difference?

**Employee:** A lot, yeah. Better than nothing because you can save about $50 a week and can pay the bills, can buy some things for Christmas-time. Nearly Christmas break, you know and then during the factory close about four weeks’ time, so we’ve got extra money to spend during holidays, yeah.

One casual employee in hospitality described how working extra hours was important in order to be able to cover the upcoming holiday period as (being casual) they had no access to paid annual leave:

We’ve got a bit of a breather, we’re shut for a couple of weeks. I suppose that’s the downside of being casual, is you don’t get any holiday pay for that. So having a decent couple of weeks, put away a few dollars to cover that two weeks with no wages I suppose. So that’s something you’ve got to plan for now. Two weeks without any money in summertime in [city], you know...
Not all employees appreciated undertaking extra hours of work. Several employees reported that they were undertaking more hours of work in addition to experiencing work intensification. Some of these employees described experiencing increased stress in their working environments due to an expansion of their workload and feeling that the pay they received didn’t make up for the increased intensity:

Well I’m doing the 8[am] to 4[pm] … well, 8 [am] to whenever really. So the hours have changed, but it’s actually increased, my workload’s increased double load. So yeah I got my pay rise but I sort of feel like I have to give $20 back instead of $18 I’m getting type of thing. So it’s a bit of a pay-off there, but yeah. It’s a bit more stressful…

One student employee had voiced fears, during phase two, that managers were planning to replace them with a school-based trainee, in order to cut labour costs. In the phase three interview, the same employee reported working harder and more hours in their job. The employee’s hours of work had doubled from eight to 16 hours per week over the previous months at a time when university exams were about to begin. This employee felt obligated to work extra hours to cover for staff that had either left or were on leave from the enterprise, and this had led to missing university commitments:

… Wouldn’t mind some more staff here - we just had a very stressful couple of weeks, quite a few people quit, I think about four people overall in the last month or so. Yeah so it’s been pretty stressful for me especially with uni[versity], I had to drop back in uni because I was making myself sick with stress.

As reported in Part 1, some employees seemed to accept the ever-increasing nature of their workload, albeit somewhat reluctantly. A community services worker stated:

I just don’t get enough time during the day to be able to do reports, so obviously I take them home and try to do them at home so that I’ve got hands-on [time] here at work as well…Yeah, and look, it’s the nature of this type of role unfortunately so I’ve come to terms with it and we just do what we can.

Two employee participants at a community services organisation were working different rosters as a result of a large-scale restructure. In the case of one employee this had reduced her fortnightly earnings, but in her view the corresponding reduction in rostered and unpaid hours more than made up for the reduction in wages:

Well wage-wise … I’ve come back a little bit, but no, I’ve got more life, I’ve got more time to do other things now, so yeah. I thought it was going to hurt but it didn’t hurt so bad … Yeah because before I was here like 11 days out of the fortnight, sometimes I was doing 17 shifts in a row and yeah, what was going on before was ridiculous.

This employee continued to work a second job to contribute adequate earnings to the household but also felt that money pressure had eased as a dependent had recently left home. Participants from this site also described other improvements in their employment since the new employer had taken over, including stable rosters, paid training, the introduction of salary sacrifice provisions, and a far better working environment overall.

10.4 Changes to categories of employment

One employee at a manufacturing enterprise experienced a change in the category of their employment between phases two and three of the study. This employee had been working two casual jobs, one of which was at the case study enterprise, and had intended to leave their second job because of the low pay and unsafe working conditions. By the November phase three site visit, the employee had been made permanent at the case study enterprise and had left the other casual job.
As discussed in the phase two research findings, salaried chefs and managers in the hospitality industry working extended hours contemplated the benefits of becoming casual to earn higher wage rates while working fewer hours. A chef believed that working as a casual would give him greater control over his hours and the capacity to select and reject shifts, thereby enabling him to start a family. Yet he also recognised that he would be trading off a degree of job satisfaction by sacrificing the current creative control he had over his work.

10.5 Changes to work organisation

Employees were asked to describe whether, since the previous phase of the research, they had experienced any changes to their jobs including changes to how their work was organised and how tasks were distributed amongst staff. While most employees reported minimal changes, a small number of employees had taken on new roles or new tasks since phase two.

For several employees this involved taking on more responsibility in the enterprise. The roles of two employees in an aged care facility had changed significantly since the last phase of the research. This was the result of a thorough restructuring of the tasks at the enterprise. These participants found that they were now able to provide significantly better care to the residents of their aged care facility and were doing less unpaid work.

Minor changes to job design as a result of the adoption of new machinery or processes at the workplace were also reported by a small number of employees, particularly in the manufacturing and retail sectors. The response to the adoption of new machinery varied amongst employees. Some employees explained that the new machinery made their job more difficult, whilst others appeared somewhat ambivalent about the new technology because it had little effect on their daily work.

10.6 Non-compliance and employees’ willingness to pursue entitlements

Instances of possible non-compliance with the statutory minimum standards continued to be noted by researchers in the phase three interviews. In some cases, employees stated that they believed they were being incorrectly paid and wrongly classified when interviewed in phase three of the research. Several employees queried their rates of pay with their employer but this did not lead to a satisfactory resolution in the view of the employees. In describing their situations, many of the participants demonstrated low levels of confidence or willingness to pursue what they believed to be their entitlements.

In a small number of cases, employees were promoted to more senior roles at the enterprise but did not receive a corresponding pay increase. One of these was a junior employee who was ‘promoted’ from team leader to assistant manager while experiencing no increase in their hourly pay rate and continuing to be paid at the same classification:

**Interviewer:** It’s just that your job has changed?

**Employee:** Yes, just the job title, that’s about it. Yes, like I honestly don’t see how that actually happened because you know, usually if you were to get a promotion you’ll probably see your rates increased but this didn’t happen.

In a similar situation, a mature age (overaward) employee was given additional managerial responsibilities without any pay rise and explained how this had also led to having to work a large number of unpaid hours. He recounted an exchange with the business owner, as follows:
And I said [to the business owner] ‘What rate of pay?’ and he said ‘Well I don’t really want to be out of pocket’ and I said ‘Well I don’t really want to be out of pocket either’. And that was the end of the conversation. So I’m still on the [previous rate] and doing 80, 87 hours I did last week. It’s a minimum between 70 to 80 hours a week, that’s [over] six days.

One study participant described their attempt to be paid the correct wage according to their job duties. Although this employee received a small wage increase between phases two and three, the employee believed that the base rate was still significantly below their legal entitlement, and described the situation as follows:

Interviewer: Has your wage changed since then?
Employee: It has gone up to $19.30 something I think.
Interviewer: Where did that figure come from do you know?
Employee: The boss’s head I think.
Interviewer: So how did you get the wage increase?
Employee: I asked for a pay rise and mentioned looking into awards.
Interviewer: Are you satisfied that’s the right figure now?
Employee: No.
Interviewer: And you’re looking into that at the moment?
Employee: Yes.

The employee went on to explain that they found it very easy to find out what their legal entitlements were but difficult to get the employer to engage with and act on the information. Another retail worker was unwilling to pursue their belief that they were incorrectly classified with the employer, explaining that they were sure to lose any argument and it was, on balance, not worth the anxiety that came with the anticipated conflict.

At the time of the research, none of these individuals successfully negotiated changes to their wages and classification levels. In all cases employees who were concerned about the legality of their pay and conditions were in vulnerable labour market positions. They had expressed concerns about their ability to get other jobs and/or had described considerable difficulties in balancing a working life with other commitments. However, a participant from a hospitality site reported that staff had been collectively pursuing underpayments that had accrued over a number of years due to an incorrectly calculated rolled-in rate. The union and staff delegates at the site had been actively involved in this process.

10.7 Changes to levels of debt, household income and living arrangements

Employees were asked whether there had been any change to their living circumstances since the previous interviews that affected the importance of their wage in their household. In particular, employees were asked whether there was any change in their levels of debt and household income.

While the relative importance of most participants’ household earnings remained steady between phases two and three, a small group of participants experienced change in this area. For example, one participant recently gained a second source of household income when her husband found employment after being unemployed for
an extended period. In contrast, one casual hospitality employee experienced a bout of illness for three months that resulted in the loss of her income over this period of time. The bout of illness coincided with a reduction in her husband’s source of income and caused a small financial setback for her family in the form of increased credit card debt.

As in phase two of the research, a small number of employees changed their living arrangements between phases two and three of the research. These employees were usually without dependents and moved in with family members or others to reduce the costs of rent. Other participants in the study noted changes such as the financial benefit of their adult children becoming independent.

10.8 Continuing awareness of wage disparity

Consistent with findings drawn from previous phases of the research, workers in certain sectors were acutely aware of the disparity in their wages in contrast to other sectors of the labour market. The level of awareness about wage disparity tended to be most noticeable in community services and manufacturing, although employees in these sectors tended to perceive the wage disparity in different ways. Several workers in community services expressed dissatisfaction with their rate of pay in light of the challenging nature of their work. There was a widespread consensus amongst community services participants that their work was undervalued. By contrast, workers in manufacturing expressed the inadequacy of their wages in terms of what they earned as manufacturing workers in contrast to workers in other sectors or the earnings of friends and family members. One such worker noted:

> The award wage for this trade is just the same as Woollies [Woolworths] or Coles [supermarkets] or even Macca’s [McDonald’s fast food] pays. You can work full time at Macca’s and be on the same amount as here.

Another manufacturing employee felt a lack of wage equity between his earnings and his daughter’s earnings as a legal secretary:

> This trade is the lowest wages you can get in Australia. Maybe most of them [businesses in the subsector] is closing down, but it still, the ones still working, I mean we should be able to get more money… Like my daughter, she just start[ed] working, about [a] couple months ago … and she’s earning $20 an hour, I’m earning $16 an hour … She’s working for lawyer.

A community services worker described how wages in the sector do not reflect the demanding and socially important nature of the work:

> … it is a demanding job and I don’t know if it does get recognised, like I don’t think you could really put a dollar value on exactly what we do. We are enhancing the lives of people with a disability and I think it would be hard to put exactly how much dollar for a support worker that is, because the work that we do … I think it’s pretty amazing what we do.

10.9 Income adequacy and increasing costs of living

Data collected in this phase of the research reflected the findings of the previous two phases of research, with a number of participants continuing to raise concerns about the inadequacy of their level of income—despite not being directly asked questions about this. Apprentices, mature full time workers in manufacturing, and workers of all ages in community services in particular considered their wages to be inadequate. The following comments describe the tight financial circumstances and increasing costs of living being experienced by some participants:
• A manufacturing worker described the increasing costs of utilities:

   Well I wish I can say I need less money, but since then I noticed a few increases like electricity, the water, gas, you know. Each time you pay you can see it’s going up and up and up.

• An employee in the community services sector reflected on her inability to live independently on her current income:

   Living independently would be near impossible, especially for my personal goals of maybe buying a home independently would be quite impossible for all the living expenses. So to make that happen I’ll have to basically look at options with wages for future employment opportunity.
11 Compliance with employment regulations

The question of employer compliance with labour standards was not an area of specified interest in this study as originally designed. Issues of compliance were only relevant to this study inasmuch as they informed the central research question relating to the impact of minimum wages increases on enterprises and employees. When examining the impact of minimum wages increases and the elements that shape labour costs, it became apparent based on interviews with employers and employees, as well as through examination of earnings data against relevant employment instruments, that compliance and non-compliance with earnings-related entitlements had an effect on enterprise wages bills and on the level of earnings of employees. In addition, interviews with employees revealed that employer practices in the small number of enterprises with what appeared to be incorrect application of employment entitlements had a deleterious effect on productivity and workforce morale, leading to employee dissatisfaction and high turnover.

11.1 Evidence of adherence to employment standards

Establishing compliance with certainty is difficult, particularly in the matter of appropriate classification of employees against the award standards. However, this research indicated that the treatment of labour standards differed between employers. In most cases employers were assiduous in their application of the award provisions and went to considerable lengths to ensure compliance, regarding it as a critical and central responsibility. However, in other enterprises non-application of employment standards appeared to lead to underpayment for employees and a reduction in the overall labour bill of those employers. These instances of apparent non-compliance were seemingly due to a combination of factors including: a lack of employer knowledge of standards and resources to apply them; prioritisation of other (in the minds of employers) more critical issues leading to standards being overlooked; and in a small number of instances delaying remedying non-compliance in order to minimise costs to the enterprise.

For most employers in this study, decisions around the hourly rates paid to employees were underpinned by the statutory minimum (award) rates, and were influenced by external contextual factors relating to local labour markets (for example skills shortages and supply and demand for labour more broadly). But these decisions were also a function of employer volition and philosophy. In some enterprises they were influenced by employer perceptions of the relative skill level or ‘worth’ of particular employees to the enterprise. This was particularly apparent in the case of employers with low capacity, as described in Part 1, and was often generated by a lack of knowledge of employment standards and the resources to apply them. Case study data revealed a number of examples of apparent non-compliance among these employers. These included the following:

Staff placed on incorrect classification scales: As noted in the Part 1, some employers in the study described using a discretionary approach to determining where employees were placed on the award classification scale. That is, rather than placing staff at different points on the classification scale according to work actually being undertaken by staff they classified staff according to the pay rate without reference to the definition of the classification. The point on the classification scale on which employees were placed was determined by the owner-operator’s assessment that a particular staff member was ‘worth’ a particular pay rate. In phase two of the research, some employers in this category had made an effort to compare the former and modern award classification descriptions and place employees on the equivalent classifications in the new awards. Others were unaware of the transition to modern awards and in these sites employees remained on pay rates set out in former awards at the time of research visits in late July 2010. By the final phase of the research in November 2010, employees at one site remained on pay rates set out in an award which, since 1 July, had been superseded by the relevant modern award and transitional rates.
In other sites, the transition to modern awards provided the impetus for employers to apply employment standards which had formerly not been adhered to. An employer at a mixed capacity enterprise, for instance, described the difficulties they experienced in finding time to understand and apply the classification system. They had purchased the enterprise some years before and for the first time since they took ownership they were going through a process of reviewing the application of the classification structure, triggered by the transition to the modern award. The employer explained:

Probably some of it stems back to when you take a business on and … you inherit, so we inherited the award, we understood what we needed to understand of it. When you’re a new business owner you have to absorb so much, and that was probably one of the things that we didn’t really … you take on the bits that you can, and we inherited how they were classified, but never really gave it any thought. So when we’ve had to re-classify our staff it’s like starting from scratch even though we’ve been here for eight years, so it’s a rethinking completely of how you staff it.

The review by the employer revealed that in some cases the application of the award appeared to be incorrect. By the July phase of the research, the review was complete and the employers were satisfied that all staff had been appropriately classified.

A second mixed capacity employer also recognised a need to review and re-classify staff in accordance with the scales in the modern award, as a number of staff undertook tasks which concorded with higher levels of the classification scale in the new award. However staff had not been re-classified by late November 2010 (five months after the award change had occurred) and the owner planned to review and re-classify staff after the site had returned to profitability. The owner stated:

… as soon as we can actually be turning a profit so that we can afford to continue paying people overall, we’ll go through and make sure that we’ve got everyone on fair classifications.

Some employers who were aware of the transition to modern awards and had sought information about the new pay rates in these awards appeared nonetheless to have incorrectly classified staff: for example by classifying managers as non-managerial workers, lower on the classification scale. As noted earlier, some employers disregarded award classification descriptors and instead paid staff an amount that they thought they were worth and that the business could afford. One employer stated, ‘I just pick a column that I can afford and pay it.’ All staff in this organisation were located on the lowest scale of the former award and subsequently the modern award. The employer had little knowledge of which classification level in the award this was, describing employees as being placed on ‘whatever the cheapest (level) is’.

A second employer described a similarly discretionary approach to setting pay rates for employees:

… they’re all on the same award but they’re all on different amounts to what they offer the business … I just gave [employee] an amount, I just said ‘Right, I think you’re worth this’ … and put [employee] on full-time.

In the final phase of the research period an employee approached this employer for a pay increase on the basis that they believed they were classified at the wrong level on the award classification scale. This prompted the employer to give some staff pay increases, but this was done without reference to the appropriate award. Instead the employer added an amount to the hourly base rate that employees received. Despite this increase, it appeared that the employees remained below the appropriate award rate of pay.

---

35 Discussion relating to the categorisation of case study enterprises by degree of capacity (low, mixed or high capacity) is found in section 15.1.1 of Part 3.
36 When interviewed in mid-August, the employer asserted that staff would be back-paid to 1 July, pending the results of the review. However no mention was made of whether staff would be back-paid when the final (November) interview was conducted.
This contrasted with the approach of medium to high capacity employers, who had universally used the transition to the modern award as an opportunity for reviewing the classification levels on which their staff were placed in light of the tasks and skills of individual employees. Many noted that this process of review—which in some sectors was a highly complex task—had resulted in some employees being placed on higher classification levels in the modern award (resulting in increased labour costs in some cases) and on lower classification levels in the modern award in other cases (which had led to absorption of part or all of the minimum wages increase).

**Staff paid incorrect (below award) rates:** In the second phase of the research there was evidence that indicated that some employers were paying employees hourly rates that were lower than the correct transitional award rates for employees at that classification level in the modern award. This was in addition to evidence of employers failing to pay casual loadings or paying a casual loading at a lower rate than set out in the modern award (taking into account transitional arrangements). At an organisation that underwent a significant restructure between the first and second phases of the study there appeared to be several instances of non-compliance with award standards, including employees working unpaid hours, failure to pay appropriate shift loadings, as well as incorrect placement of employees on the classification scale. By the final phase of the research, it appeared that most of these employers—barring the operator of a micro-sized, low capacity enterprise—had applied the correct rates and loadings although issues of correct classification remained unresolved.

**Non-payment of minimum wages increases:** Data collected from employees and employers in several case study enterprises revealed that some employees had not received minimum wages increases in the period directly following the 1 July 2010 minimum wages decision. In three enterprises this occurrence seemed to stem from employer confusion about, or lack of knowledge of, the 1 July 2010 minimum wages increase. One employer—who at November 2010 had not applied the minimum wages increase—confused minimum wages increases with tax cuts given to employees. A further two employers confused the system of ‘minimum wages’ with the belief that a single ‘minimum wage’ applied as the statutory minima for employees—this being the entry level (lowest level) classification scale in awards. These employers believed that payment of any rate further up the classification scale of an award was an ‘overaward’ payment (which employers asserted led to these employees being paid ‘above the minimum wage’). One employer stated:

> The minimum wage costs (sic) isn’t a worry to me because my staff aren’t on the minimum wage. They’re usually on level two or a level three pay structure.

Employers in these enterprises stated that they were already paying above the minimum wage to all staff and so staff did not receive a minimum wages increase from 1 July 2010. One such employer explained that payment of these ‘above award’ rates to employees led to minimum wages increases being absorbed, stating, ‘...so if we’re paying above award wages, if a rise comes in, that should just soak that up’. The owner of a site where the minimum wages increase had not been paid to employees had described previously how minimum wages increases had little impact on the business in the past as they had resulted in only minimal increases to hourly rates. This may be because this owner had previously not passed on the full amount of minimum wages increases on the assumption that staff were already paid ‘overaward’ rates. However, it appeared that both employers had applied the minimum wages increase by November 2010 after receiving advice regarding the correct pay rates from various sources. Despite this, these employers remained under the impression that the rate paid at the lowest classification level constituted the ‘minimum wage’ when interviewed in November 2010, suggesting that scope for confusion around applying future minimum wages increases remains.
Use of overaward arrangements: Data from the case study enterprises indicated a range of ways in which the use of overaward payments by some employers appeared to result in non-compliance with minimum standards. It appeared that in some cases, pay rates described by employers as overaward payments were in actual practice lower than standard award rates of pay. Data gathered during industry stakeholder interviews highlighted particular issues around compliance in cases where ‘rolled in’ rates of pay (a set hourly rate inclusive of a range of allowances and penalties) were used.

Other examples of apparent non-compliance in case study enterprise sites included:

- supervisors undertaking high-level management duties without a commensurate increase in pay or movement up the award classification scale. In one case a manager was paid a 25 per cent loading to forego penalty rates, however this individual was working very extended hours and was not getting the days off stipulated by the award;

- staff employed as managers who were paid at the lowest levels of awards (on customer service officer or retail assistant classifications);

- employers reducing employees’ shift lengths to the point where they were shorter than minimum shift lengths set out in awards;

- staff not given payslips, or not provided with a roster of hours;

- non-payment of staff for hours worked over a five-week period;

- an employer neglecting to address a worker’s complaint of sexual harassment by a customer at the site;

- employees working unpaid hours;

- employers shifting employees from permanent to casual status without their informed or explicit consent; and

- employers failing to provide information to employees when employees asked them about which award applied to them, their classification level, or their hourly base rate.

11.2 Information sources and employer attitudes to adhering to employment standards

As noted earlier, for some employers, there was a significant amount of confusion about minimum wages increases, which may provide a partial explanation for their initial lack of compliance with minimum regulations in paying minimum wages increases to employees. However there was also evidence that these employers gave a higher priority to other business matters over compliance with labour standards. As noted in Part 1 of the report some employers outsourced payroll functions to payroll services companies or bookkeepers. This practice appeared to have mixed outcomes in terms of employer compliance with labour obligations. At one of the sites where the employer was initially non-compliant with the minimum wages increase, the owner-operator explained that employee pay rates were checked twice-yearly by a book-keeper. In a second case an employer had previously engaged accountants in a similar capacity, and this employer explained that they informed him of legally-mandated increases to wages. However these accountants were no longer contracted by the enterprise and hence the sole source of information now accessed by the employer, in relation to employee wages, was (according to the business operator) online updates linked to business software packages pertaining to revised information on ‘changes to the tax system and wages adjustments’.
In a third case, an organisation with outsourced payroll changed management between the first and second phases of research. The management team, after conducting a full payroll audit, discovered several errors in the application of the classification system, estimating that approximately half of the staff were being paid on the wrong grade. The CEO described the way in which new employees appeared to have been initially engaged and matched to the classification scale in an ad hoc manner:

I think that was one of the problems at (the enterprise), whereas when more is done in-house, when you employ someone and you have your award or agreement there’s the classification to which you can refer to, and then I authorise for payroll to pay, related to that position and structure. Whereas previously we noticed … the Payroll Bureau were just getting informed that an employee had started and they were either a generalist or some [other position]. So the Payroll Bureau was left to make a decision on how they should pay that person, so it [the classification level designated] may be inappropriate.

In all cases of non-compliance it appeared that there was significant scope for incorrect information to be conveyed by contracted individuals or various information sources. Multiple examples of non-compliance were apparent in some enterprises and enterprise owners or operators had not checked that the information given or applied by such sources was correct. Several of these employers were of the belief that it not their individual responsibility to keep abreast of changes in employment regulations. It was their view that it was the responsibility of third parties—such as contracted bookkeepers, employer associations or government departments—to seek out this information, and, in the view of one employer, to formally notify him of changes to employment legislation. One such employer explained why, by November 2010, the enterprise’s employees had not yet transitioned to the modern award, stating:

[Employee] brought to my attention not long ago about the new award that came in. [They] wrote it down here. I did have a look, but I haven’t received any official documents from anyone yet stating that we need to shift to this award, so I wanted to have a look over it a bit more.

In summary, examination of employer labour management practices and employer responses to the minimum wages increase in the case study enterprises demonstrated that institutional supports and access to knowledge help to ensure compliance with minimum employment standards, but are no guarantee of compliance. It appears from the available case study data that employer attitude is an important element, along with employer capacity, in determining the nature of employment practices used at the workplace and employer responses to minimum wages increases; and that the degree of compliance with labour standards can have a significant effect on the labour costs of the enterprise.
12 Conclusions

The operating environment within which the 20 participating enterprises functioned appeared to change very little over the course of the study. The most common source of change for most organisations, and for employees, since March 2010 was an increase in wages due to the Annual Wage Review 2009–10 Decision.

The other main changes that took place over the course of the study appeared to be part of the ebb and flow of the operations rather than being generated by a single clear event or happening. In making changes employers seemed to be responding to the full range of ongoing pressures in their sectors and/or operations, dealing with the constant cycle of operational requirements that reinforced the need to increase revenue and, as they explained at the commencement of the study, looking to make savings wherever they could be made. As was predicted, especially for those enterprises operating with tight margins, this often came down to managing labour costs, the area over which employers generally felt they had most control.

Enterprises that underwent significant restructuring appeared to do so for reasons other than minimum wages increases. Those changes were primarily motivated by business strategies being pursued by the owners or managers in response to other imperatives including reduced trade, increased trade, or compliance with regulatory requirements to improve standards of service. In several cases those changes took place prior to the implementation of the minimum wages decision. The size of changes that took place between July and November continued to be fairly small-scale, and where changes had substance, they appeared to have no clear link to the minimum wages increase. There was very little overt evidence of adjustments to employee hours, staffing numbers or other savings having been made to offset the increased labour costs stemming from the minimum wages increase. However, a thorough investigation of those factors is conducted in Part 3 which provides a synthesis of findings over the course of the research.
PART 3

Overview

Part 3 of the report provides a synthesis of research findings over the three phases of research.

The operating context for case study employers across the three research phases

The context within which enterprises in this study operated remained constant across the nine-month research period in that the pressures they experienced remained largely consistent over time. Key pressures faced by hospitality, retail and manufacturing case study organisations related to dampened consumer demand for the goods and services they sold and increasing competition from discounted goods and services and lower cost producers. Community services enterprises, by contrast, faced pressures relating to shortfalls in funding for services.

Employers in all four sectors identified the increasing costs of producing products or providing services as key pressures on their operations. These costs stemmed from heightened industry regulation obligations and increases in the cost of utilities, rent, servicing debt, and inputs into goods and services provided. Employers across all four sectors highlighted shortages in quality or skilled workers as a pressure on operations and some identified the potential increased labour costs and administrative burden resulting from the transition to modern awards as a pressure.

The impact of these pressures was felt in terms of the business performance of the case study enterprises. The outcomes for a group of enterprises in the study—mainly retail, manufacturing, and to a lesser degree, hospitality enterprises—reflected general economic trends over the recent period. These enterprises experienced year-on-year increases in sales growth and profit up until early or mid-2008, followed by marked declines in both from 2008.

Beyond the first phase of the research, the focus of analysis in these enterprises was on whether they experienced a prolonged effect from the global financial crisis (GFC) and the adjustment strategies they used in response, or whether a turnaround in circumstances occurred. By the time of the second phase of research—four months later—little change in the trading environments of these operations was evident and the adjustment strategies employed by these enterprises in response to the pressures they faced were consistent with those used in the first phase of the research.

By the final research visit, many of these enterprises were experiencing an increase in turnover, but in most cases employers acknowledged that this reflected the usual (year’s-end or summer) seasonal upswing in the annual business cycle. These fluctuations in demand due to seasonal effects led to difficulties discerning whether these enterprises were experiencing the beginnings of an improvement in their trading environment; however most of the operators of these businesses attributed the increase in turnover to seasonal effects rather than an upturn in the trading environment.

A second, small group of hospitality enterprises was relatively unaffected by the economic downturn and turnover remained relatively stable in these enterprises (notwithstanding seasonal effects) throughout the research period. A third group of enterprises (registered clubs, a fast food franchise and a manufacturer) experienced growth and increased profit throughout the research period, with some employers in this group describing the 2010 calendar year as the enterprise’s ‘best year yet’.
In community services enterprises a range of strategies were used by employers to increase revenue throughout the course of the research, thus providing some stability in operations in an environment of insecure and often insufficient funding from government or other sources. Most increased revenue throughout the research period as a result of mergers, acquisitions of new sites or service areas, accessing new funding streams, or raising user fees (in the case of a childcare centre).

Adjustments made at enterprise level across the three research phases

The scale of adjustments made in response to contextual changes and pressures on enterprises was determined by the severity or extent of those factors. The type or nature of adjustments made was shaped by an enterprise’s sectoral location and the features of its operating environment, but also by employer capacity and attitudes. Some adjustments were made to non-labour elements of the enterprise’s operation or through changes to sales, promotion and pricing strategies. However in sectors other than community services most cost savings took the form of labour adjustment strategies, as labour was considered the most variable and ‘controllable’ of enterprise cost elements. The strategy of minimising costs through labour adjustment was less available to some community services enterprises due to regulations affecting services standards and employee numbers (for example, mandated staff to child, staff to patient, or staff to client ratios).

The principal adjustment strategies used by the enterprises in the study included the following:

• adjustment through labour management strategies (changing categories of staff; cutting paid employee hours; work intensification; owners working more hours in the business; replacing staff who leave with those paid lower rates);

• reducing non-labour costs (of wastage; freight; utilities; insurance; ingredients and other supplies; and labour on-costs—for example workers’ compensation premiums);

• increasing sales (increasing spend per customer; or via increased promotional activity);

• passing the increased costs of providing goods or services on to customers in the form of price increases; and

• in community services enterprises, securing new sources of funding.

Some employers trialled new adjustment strategies at different stages over the research period. Many examples came to light of business strategies adopted by case study employers to increase revenue or margins in the face of challenging operating environments. They included:

• the development and implementation of business diversification or acquisition strategies to expand into new product or service areas, or into new markets or locations;

• remodelling or re-branding business operations in response to changed consumer spending patterns or new areas of demand;

• securing businesses or developing supplier networks within retail supply chains to ‘cut out the middle man’ and reduce the cost of goods sold;

• developing targeted promotions to attract new customers (including new ‘niche’ markets); and

• investing in state of the art technology (plant) to increase productive capacity.
Employment practices across the three research phases

Employment practices were the main element of operating practices by which case study employers could contain costs. For this reason, and the view of many that labour management was essential to maintaining levels of productivity and service, most employers focused significant attention on the labour practices used within enterprises and their ongoing refinement throughout the research period. However there was little change over time in the labour management practices used by employers at the case study sites over the research period. Most continued to use labour management practices described at the outset of the study, as a matter of standard practice. More marked changes took place at enterprises where revenue had either increased or decreased markedly at points throughout the research period.

The nature of practices used appeared to be shaped by sectoral location and features of the operating context, but also by the capacity of the employer. Employer capacity denoted knowledge of employment frameworks and the resources and opportunity employers had to implement different employment strategies. Structural characteristics shaping the level of capacity within enterprises included ownership and management structures, enterprise size, sectoral location, and access to institutional supports. Capacity and the attitudes (or philosophies) exhibited by employers were found to influence decisions that were made regarding employment practices and adjustment strategies. Employer attitudes shaped employment practices, leading to significant variation in employer application of labour management strategies across enterprises. Operators had different attitudes with regard to their employment obligations. Some took great care to comply with employment standards while others gave a lower priority to employment matters and were comfortable with a workforce that turned over frequently. These differences in both capacity and attitude appeared to shape the degree of compliance at the site level.

A small number of employers in the study appeared to have lower labour costs due to non-compliance with minimum standards of employment while the majority of operators were dedicated to adhering to those standards or improving upon them. Ensuring compliance was an issue at the forefront of many of these employers’ minds and employers rigorously sought out the correct pay rates and terms and conditions pertaining to their employees and applied them assiduously. In contrast, some employers, generally with low capacity, sought out a bare minimum of information about minimum employment standards and rates or none at all.

Within that context the fundamental practices and principles of labour management described and used by employers remained consistent over the course of the study. There was very little evidence of change to the configuration of categories of employment at each of the sites. They continued to follow the sectoral trends and preferences adopted by employers at the beginning of the study. The only significant changes appeared to be as a result of recruitment cycles and the replacement of permanent staff with casual entry level staff. There was some evidence that the introduction of modern awards triggered renewed consideration of the application of the classification systems within modern awards at some sites. However, on the whole, it was rare for advancement through the classification scale to occur outside of the community services sector, and there appeared to be continuing inappropriate classification of employees at some sites including where responsibilities of individual employees grew. Typical hours management strategies such as lean and low cost rostering continued to be used by operators that favoured them at the commencement of the study. The sum of employee hours worked and paid for at each site remained consistent with employer expectations, with most fluctuations being dictated by shifts in trade and service provision, and application of lean rostering strategies. The exceptions were those enterprises that had reduced or increased staff numbers due to sustained downturns, or, significant increases in, trade or service provision. Consequently the greatest shifts in labour costs resulted from the application of the minimum wages increase at most operations (to both award-reliant and overaward employees), retrenchments
at two enterprises and increased staffing levels at another two. Other more moderate changes to the wages bill were generated by tweaking rosters, hiring of cheaper replacement staff, and existing employees moving on to higher pay rates on the grade scale.

Sixteen of the enterprise case study sites had employees and/or managers in receipt of an overaward wage. Overaward payments continued to be used in all manufacturing, hospitality and community services enterprises at all stages of the study while remaining rarely-used in retail sites. There was little movement of minimum wage-reliant employees to overaward arrangements. Exceptions included: some hospitality and manufacturing enterprises where casual employees were made permanent (and in doing so were paid overaward rates); a community services site that planned to begin paying overaward rates to a specific occupational group for whom they faced competition from other employers; and two community services enterprises where some formerly non-award and award-reliant employees were transitioning to a modern award (in one case) and a potential collective agreement (in another case)\(^{37}\) and whose new or existing wage rates were higher than the award rate.

Employers were asked about changes in employee productivity levels at each stage of the study. However none of the employers in the study engaged in formal measurement of—and thus were only able to provide impressionistic views of—productivity. Among manufacturing enterprises, productivity was set to increase at one site due to major investment in new plant while employers in another two enterprises reported a decrease in productivity in the second and third research phases due to orders declining and employees taking longer over tasks to ‘stretch out’ the available work. Retail employers, by contrast, described strategies aimed at increasing productivity among individual workers. They did this by weighing up the relative worth of each of their employees in terms of how productive they were with a view to ‘managing out’ any workers deemed to be unproductive and reconfiguring rosters to give productive employees a higher proportion of hours.

Little movement towards new industrial arrangements took place over the course of the research. Three enterprises (a franchise retail operator, and two community services sites) were anticipating collective agreements in the near future, but other operators continued to prefer the award standard, or have no interest in agreement making.

**Employee experiences across the three research phases**

A number of factors acted in a consistent fashion to shape the experiences of employees in this study across the course of the three phases of research. They included: employee characteristics; worksite-level employment structures, practices and supports; the importance of employees’ earnings within their households; the time and capacity employees had to undertake work; and local labour market conditions. The way these factors impacted participants within the study remained stable although some individual employees experienced a shift in the balance of factors affecting their employment.

In Part 1 of the report employees were categorised as belonging to five groups according to their attachment to the labour market and where they sat in the lifecycle. They comprised: full-time student employees; young non-vocational employees; young vocational employees; prime and mature age non-vocational employees; and prime and mature age vocational employees. Over the course of the study there was little mobility between the groups, particularly for prime and mature age employees. Some graduating university students and apprentices moved into a ‘graduate vocational employees’ category, with apprentices remaining at the enterprise sites while university students moved into new industries to pursue careers related to their tertiary qualifications. There was minimal mobility between non-vocational and vocational groups other than among full-time students and

\(^{37}\) Described in section 15.2.7 of Part 3, which examines strategies relating to the use of industrial instruments.
the only evidence of internal promotion was from within vocational employee groups. Vulnerable employees were evident across each group, although the most acute examples of vulnerability were experienced by non-vocational workers. In the majority of cases vulnerable employees continued to feel consistent powerlessness to change their circumstances. This led to particular anxiety among employees who felt they were being paid or treated unfairly by their employer while believing they had no other labour market options.

Overall, the changes experienced by most employees over the course of the study were slight and the pressures and issues faced by most employees in the first interviews continued to be present. The minimum wages increase affected most employees by increasing their hourly rate of pay, and was the most common change to employee earnings across the course of the study. For most employees who received the increase, it provided some assistance in meeting the cost of living but did not take away the key pressures they faced regarding work.

Tensions arising from trying to achieve a balance between earnings, hours of work, and security of employment were persistent employee experiences across the study, particularly among part-time and casual employees. In line with broader (case study) enterprise-level trends, there was little movement between categories of employment for employee participants. There were changes in the hours of work of some casual and part-time employees, but on balance earnings continued to be based on similar roster patterns over the course of the study for most employees. Overall, increased hours of work were more prevalent than decreases in hours for employees who remained as participants for the duration of the study. Increases in hours occurred during peak periods of trade and demand for services. They were welcomed by casuals and part-timers seeking longer hours, but were less welcome among permanent workers in community services and manufacturing—unless accompanied by overtime payments—and salaried employees whose extended hours tended to be unpaid. Extended hours continued to create difficulties in the lives of overaward recipients and community services workers. In some cases their unpaid hours grew over the course of the study.

It became apparent over time that longevity in casual and part-time jobs was a better guarantee of achieving hours preferences in the retail and hospitality sectors than changing jobs. Casual employees seeking additional hours at the commencement of the study tended to have more hours by the study’s conclusion due to cyclical increases in trade and staff turnover. New entrants, on the other hand, were more likely to experience greater dissatisfaction. Only two employees across the study moved from casual positions into permanent jobs at their respective enterprises. In both cases this appeared to be a result of employers rewarding particular employees rather than as part of a standardised process of progression from contingent into more secure employment at those sites.

Opportunities for employee promotion and progression at the case study enterprises appeared scarce. Only one participant was formally promoted during the course of the study. Community services enterprises were the only enterprises where employees other than apprentices and juniors increased earnings by incrementing up grades within classifications. Employees at sites in other sectors were given greater work responsibilities that did not lead to promotion through progression to higher award classifications.

Throughout the study manufacturing and community services workers in particular continued to question the fairness of their rates of pay. In addition, some employees were uncertain as to whether they were appropriately classified but faced difficulties in taking these issues up with their employers. Most employees had limited understanding of how wages matters were dealt with legally. Employees’ understanding of wages matters did not grow over the course of the study, with the exception of those employees with concerns about their legal entitlements who undertook their own research efforts.

---

38 It may be that employees who experienced insufficient or decreased hours of work left the case study enterprises over the study’s duration to obtain a greater number of work hours through seeking alternative employment.
Overaward wage earners varied in their ability to exert power during individual wage negotiations. Chefs in the study (who earned overaward amounts) were generally able to secure overaward wage increases where their employer remained financially viable. Other salaried staff and employees receiving modest overaward payments believed pay increases were purely determined by managerial discretion and felt they had no control over their wage rates. This resulted in most overaward earning employees receiving wage increases in line with the minimum wages increase. But where this did not happen, it led to employees questioning equity between employees at the enterprise level and unresolved questions regarding compliance with legal employment standards.

The relationship between adjustments and minimum wages increases across the three research phases

When interviewed in phase one of the research, employers identified a range of adjustment strategies that they anticipated using to offset any increase in labour costs occurring as a result of an increase to minimum wages. However it became clear, after detailed questioning during the second and third phases of the research, that where these adjustment strategies were implemented, they were not specifically employed to counter the impact of the minimum wages increase. Rather, most of the strategies identified were employed on a consistent, regular and near-daily basis by employers in the course of running their business. Although it was not explicitly alluded to by employers, it may be that the implementation of the minimum wages increase may have increased the degree to which employers modified practices or may have hastened employers’ efforts to make changes to operations.

Strategies for reducing labour costs were most commonly highlighted by employers as those they would use to offset increased labour costs stemming from the minimum wages decision. However, such strategies for reducing labour costs were employed by enterprise managers not just in response to the minimum wages increase, but incrementally throughout the research period as part of a toolbox of commonly-used practices; they were implemented by employers, for example, in response to peaks and troughs in trade and fluctuations in revenue. The extent to which employers sought to reduce labour costs on an ongoing basis, and the practices they used to do so, were influenced by the nature of standard labour management practices in the industry sectors in which enterprises were located (and characteristics of the workforce in each sector), the enterprise’s trading environment and pressures on its operations, and individual employer capacity and philosophy.

No adjustments to operations were made as a result of the minimum wages increase in six enterprises. This was because: no increase had occurred in a retail enterprise’s total wages bill following the minimum wages increase, and thus no adjustment was required to offset a potential increase; in two community services organisations, increased wages costs stemming from the minimum wages increase had been anticipated and budgeted for, again requiring no changes to be made to offset the increase in labour cost; and in three cases (one manufacturing, two hospitality), enterprises were operating in a profitable trading environment, providing them with the capacity to ‘absorb’ the cost increase.

In a second group of eight enterprises (four hospitality, two community services, and one each in retail and manufacturing), operators had anticipated ahead of the minimum wages increase that a range of adjustments would be made in response to the increase, and it became apparent that these adjustments were made in the period following the minimum wages increase. However it became clear that these changes were not made exclusively as a result of the minimum wages increase. Employers in this group asserted that these adjustments would have been made even if no minimum wages increase had occurred or that the minimum wages increase was not the main reason for the changes. Adjustment strategies in these enterprises targeted reduction of both labour and non-labour costs and were implemented as a consequence of standard operating practice aimed at incremental improvement of enterprise functions, or in response to pressures in the operating context such as interest rate rises, reduced consumer spending, and regulations requiring higher staffing levels.
Adjustment strategies explicitly linked to the minimum wages increase were employed in four of the 18 enterprises which applied the minimum wages increase. Two manufacturers had increased the price of goods sold as a means of offsetting increased wages costs. In both cases, business owners described how they had only limited scope to reduce operating costs to offset minimum wages increases as production was already running as efficiently as possible. A hospitality employer sought to offset the increased cost of wages stemming from the minimum wages decision by negotiating reduced prices for meal ingredients with suppliers, buying specials (seasonal produce at lower prices), and reducing portion sizes. In the final case of a retailer, the increase in minimum base hourly rates and the multiplier effect this had (in increasing the hourly rates of casual workers paid penalty rates) resulted in the owners taking greater care, when rostering staff, to schedule labour according to the relative ‘value’ of individual employees (in terms of their productive capacity) vis a vis their ‘cost’ per hour.

**Employer views of the minimum wages increase across the three research phases**

At the commencement of the study most employers believed that the minimum wages increases would not have a pronounced effect on their enterprise’s performance and that major pressures such as the trading environment, organisational restructurings, increases to interest rates and competition from foreign producers had historically had a much greater impact at the site level. Those employers maintained these views throughout the study and reinforced them at each phase in the study. Employers who did anticipate a significant impact on their business operations from the minimum wages increase tended to operate medium and small retail and hospitality businesses. By the conclusion of the project all but one of these employers believed that the impact of the minimum wages decision had been slight and this was evident in the nature of the adjustments that they made.

Nearly all of the employers in the study were of the view that minimum wages increases were important for low wage employees. Some employers regarded statutory increases as a convenient means of managing wage-setting for both minimum wage employees and as setting a benchmark for the quantum of increase for overaward wage earners at those sites.

**Differential impacts of the minimum wages decision**

The Annual Wage Review 2009-10 Decision was not found to have differential impacts (in terms of the extent and nature of impacts) on enterprises to the study as a consequence of enterprise size or geographical (metropolitan or regional) location. However, the location of the enterprise in terms of industry sector did result in differential impacts on minimum wage-reliant enterprises. The extent of the impact of increases to minimum base rates appeared to be marginally greater for those hospitality and retail enterprises with extended (night and weekend) operating hours, who experienced a slight multiplier effect upon their wages bill from penalty rates and loadings calculated via increased base rates.

**Conclusions**

This study has generated an expansive body of information into the operation of minimum wage-reliant enterprises and the impact of contextual factors—including minimum wages decisions—on the 20 case study enterprises and their employees. The variation in the array and pattern of pressures that confronted employers and employees was large and in some part reflected sectoral differences. However, a relatively clear and consistent finding from this work has been that the 1 July 2010 minimum wages increase had limited impact on enterprises and their business performance within those contexts; and that many operators regarded them as important for maintaining the living standards of enterprise employees. In addition some employers regarded centralised wage setting as a convenient
means of determining pay increases for minimum wage reliant as well as overaward recipient employees. While there were differences in the type and extent of adjustments evident over the course of the study, they were rarely regarded as exclusively and specifically driven by the minimum wages increase. In cases where adjustments were linked to the minimum wages increase, those adjustments were slight and tended to be continuations of pre-existing labour management, pricing and cost control strategies.

Employee participants regarded the minimum wages increase as stopping them from falling further behind the cost of living. It was also apparent that statutory wage increases were the only increases to earnings that some employees were likely to experience. However, findings indicated that a smaller, vulnerable group of employees may not have been receiving the earnings they were entitled to, most commonly in the area of classification, offsetting the relative value and impact of the minimum wages increase.

39 In the majority of enterprises with overaward arrangements, pay increases for overaward recipients were based on the minimum wage decision, and most of these enterprises passed on the full amount of the 1 July 2010 minimum wages increase to overaward employees during the study.
13 Introduction

13.1 Background and objectives

Part 3 of the report synthesises data collected across all three phases of research. It is analytical in nature, examining the data from the perspective of the research questions developed to guide the research process. Part 3 first examines employment practices in the enterprises over the nine-month period. The first half of this discussion provides insights into characteristics of enterprises and their owners/managers that shape decisions around employment practices. The second half provides a summary overview of employment practices used over time. The analysis then reflects on employee experiences over the course of the study, followed by analysis of the impact of the 2010 minimum wages decision at the enterprise level. The final section draws conclusions across the study as a whole with reference to the research questions guiding the study.
14 Enterprise operating contexts and adjustments made to operations

This section examines the environments within which enterprises operated and adjustments made at the enterprise level over the course of the study.\(^{40}\) It does this by looking at each of the industries of interest in turn, summarising the pressures experienced at the site level over the course of the study, and the responses of enterprise owners and managers to those pressures.

14.1 Community services

The case study community services enterprises experienced growth in demand for their services over the course of the study. At the same time, key pressures faced by community services enterprises related to tensions with funding systems and shortfalls in funding for labour costs resulting from the application of indexation formulas. Some of the enterprises in the study face ongoing award transition issues and increases to labour costs stemming from regulatory changes in the sector.

14.1.1 Operating context, pressures and funding environment

The pressures experienced by community services operators remained fairly consistent over the research period and few changes occurred in four of the five community services case study sites. Across the duration of the study, community services enterprises in the aged care, disability, youth, and employment services sectors identified insufficient funding of services as the key pressure confronting them. Study participants stated that government contracts for services commonly indexed wages costs at a rate lower than increases in award (minimum wages) rates, resulting in shortfalls in wages bills.\(^{41}\) This inhibited the case study enterprises’ ability to recruit and retain staff in competition with higher paying competitors.

Owners and managers in all five community services enterprises reported that staff shortages and problems recruiting qualified or experienced staff constituted a further area of difficulty, as did the mounting costs of complying with a growing number of increasingly complex government regulations. All community services employers in the study expressed concerns relating to potential cost increases resulting from current or pending government reviews of service areas and funding regimes. This was in addition to concerns voiced by some employers regarding the potential for increased wages costs stemming from the Equal Remuneration Case (C2010/3131) in which the Australian Services Union (ASU) and others have sought an order to adjust wages and classifications for social and community services industry workers (which would result in an increase to the wages in certain classifications in the Social, Community, Home Care and Disability Services Industry Award 2010). While employers were in support of the ASU case, they feared that unless government funding matched the increased wage costs that could potentially result from the case, they would face significant problems in maintaining current levels of service.

---

\(^{40}\) Adjustments, in the context of this report, refer to changes made at enterprise level with the explicit aim of realigning enterprises with operating targets and/or aims. For the most part, these are changes that are made in response to some kind of pressure.

\(^{41}\) Funding body representatives would add to this observation that indexation is applied to the whole budget for services rather than the labour component - so direct comparisons of the indexation percentage to the wage increase percentage is misleading. Industry stakeholders counter this by explaining that while labour comprises the largest proportion of their costs, they also experience increases to other costs, such as accommodation, utilities, food and other general operating costs.
Issues relating to the ongoing transition to the modern award were of concern for managers in some community services enterprises. Along with one-off administrative costs associated with the transition to the modern award, in two community services enterprises the modern award resulted in (estimated) increases in wage costs of between seven and 20 per cent as a result of the changing employment provisions. Both of these organisations were anticipating rising costs and significant challenges to developing rosters due to the phased implementation of modern award provisions around shift lengths and patterns for staff performing ‘sleepovers’ during night shifts.

14.1.2 Responses to pressures and adjustments made at the enterprise level

The principal strategies used by case study community services employers to adjust for rising costs in a context of funding shortfalls centred on: lobbying for increases to the funding base; diversifying the enterprise’s client base and/or acquiring organisations in new service areas to ensure a steady base of clients and funding; and, in the case of a childcare provider, increasing fees to offset the increased costs of providing care.42

Throughout the course of the study, enterprises in the disability, youth, and employment services sectors all expanded into new areas of service provision (in some cases involving mergers with other organisations) or won new tenders, leading to growth in their funding bases and commensurate increases in employment. The employment services enterprise began to operate in surplus at the end of 2010, which allowed them to pay off debt incurred through recent expansion activities. Revenue increased in the aged care hostel as a result of a merger with a larger, better-resourced organisation. The experience of this enterprise throughout the course of the study offers a prime example of how increased organisational capacity can lead to large changes in an enterprise’s operating context, its labour management strategy, and in the working conditions of its employees. In March 2010 managers in that enterprise stated that it faced the threat of closure due to insufficient funding and an inability to comply with regulations. By July of the same year the new management team had secured funding at a much higher level and employment arrangements were made more stable and secure, with staff numbers doubling in size.

Revenue also increased in the child care centre over the 2010 calendar year due to increases in parents’ fees. These were implemented by the owner in order to offset increased costs of care stemming from the July 2010 minimum wages decision and the transition to the National Quality Framework.43 The latter reform necessitated the recruitment of new staff to meet changed child:carer ratios and thus led to higher labour costs.

Enterprises adopted a range of innovative approaches to recruiting and retaining staff in short supply. These included recruiting staff with the ‘right attitude’ to do the job and training them internally; upskilling workers, strengthening internal career paths and engaging in succession planning to enable existing staff to fill vacancies; targeting individuals disposed to working in the sector and ‘selling’ jobs to them; paying overaward rates of pay to occupations in short supply; providing a ‘package’ of non-wage benefits (including salary sacrificing) to offset base salaries that were lower than those offered by competing employers; and changing the mix of staff employed to cover for staffing shortfalls. Strategies employed by community services enterprises in respect of the latter involved training a group of permanent staff to do jobs previously filled by agency staff; and using the services of community employed professionals such as registered nurses or specialists instead of directly employing these staff.

42 Increasing or charging fees was limited in the case of most community services operations in the study.
14.2 Manufacturing

Enterprises in three of the four manufacturing subsectors of focus in the study experienced ongoing decline in orders throughout the research period. Standard labour management practices across the sector include the payment of award rates to employees in casual, apprentice and low skilled processing and production jobs, with overaward wages paid to employees in skilled jobs and/or in small amounts (above award rates) to employees in semi-skilled jobs, in order to enhance employee retention.

14.2.1 Operating context, pressures, and trading environment

Three of the four manufacturing operations in the study had felt the enduring impact of the GFC—in terms of markedly reduced sales revenues—from mid-2008. Case study enterprises in the furniture and clothing sectors were hit hardest by the downturn in combination with increasing competition from lower-cost imports. Both had experienced the loss of large government clients citing the increasing influence of third-party procurement agents who, they claimed, favoured purchasing foreign-made goods. This continued to be the case throughout the duration of the study, with trading conditions remaining poor for these businesses, as well as the printing case study enterprise, throughout 2010. Printing enterprise owners reported that business spend on printing continued to decline, while the clothing manufacturer reported that individual (retail) spend on garments declined throughout 2010.

During mid and late 2010, revenue grew for the food manufacturing business. It experienced sales growth within existing contracts as well as gaining large new customers and introducing new product lines. This enterprise had undergone significant expansion by increasing factory size and equipment, providing it with greater organisational capability to win new contracts. However it was also operating in a manufacturing subsector that was experiencing growth and won contracts from retailers who were operating in strong growth sectors.

As noted, the remaining three manufacturing enterprises experienced no similar growth in trade, and where revenue increased in these enterprises this appeared to be only a short-term trend. By the final phase of research, the printing concern was experiencing a typical short-term seasonal increase in trade. However, overall, trade was down in 2010 compared with the previous year. Trading conditions had worsened since July for the clothing and furniture manufacturers, with the latter continuing to produce 20 per cent less volume than prior to the GFC. However in November 2010 the furniture manufacturer won a substantial contract, resulting in a temporary increase in trade.

Unlike employers in other sectors, manufacturing case study employers did not anticipate, or experience any marked impact of, the transition to the modern award in terms of increased wages costs. This was largely due to similarities between the terms and conditions in the modern award and those in the awards that formerly covered the enterprises.

The rising costs of production inputs represented a steady and growing pressure for all enterprises throughout the research period. Increases in the price of materials, energy and rent continued to be an ongoing concern for all manufacturing enterprises. However at one manufacturing site the price of production materials had reduced at the time of the second and third phase interviews due to changeable currency exchange rates, offering what managers described as a temporary reprieve from increased production costs.
14.2.2 Responses to pressures and adjustments made at the enterprise level

Manufacturing enterprises employed a range of approaches in response to the pressures they faced arising from the decline in trade, low-cost competition, and increasing costs of production. These included: using (divergent) pricing strategies such as price discounting, or, passing on the increased costs of production to customers; pursuing new contracts and new sources of income; and reducing employee hours and numbers.

Furniture and clothing enterprises responded to the decline in sales stemming from the downturn in trade by reducing margins, by circumventing procurement agents and tendering for public contracts, and by focusing on offering niche products tailored to clients’ specific needs. The decline in orders led to both enterprises retrenching staff in successive rounds of redundancies throughout 2008 and 2009 in the case of the furniture manufacturer, and, in the clothing manufacturing enterprise, throughout 2009 and again twice during the latter half of 2010. In each enterprise, management and administration staff were retrenched alongside production workers. Both enterprises endeavoured to retain as many skilled production workers as possible given anticipated difficulties recruiting these workers when trade improved.

In addition, three of the four enterprises reduced workers’ hours during ‘quiet’ periods when orders were at low levels. They did this through shortening casual workers’ hours and/or through encouraging staff to take annual leave. The furniture manufacturer instituted short-time working arrangements (four and then three-day weeks) among permanent employees for five months in the latter half of 2009 and reduced the work week to four days for several weeks in August 2010. Low levels of orders forced managers at the furniture enterprise to institute reduced hours in August 2010 until a large order was won and materials costs reduced, providing scope for employees to resume working a five-day week. As at November 2010, the reduced cost of components due to the strength of the Australian dollar against the United States dollar had forestalled immediate pressures on managers to make far-reaching adjustments due to the long-term decline in trade.

Rising costs of production were offset by increases in the sale prices of goods produced by all four enterprises. However there was some variation in pricing strategies; price increases were passed on to some customers, but the printing and furniture enterprises also engaged in significant price discounting in order to win contracts, leading to what one owner described as ‘skinnier margins’.

Although labour costs increased at manufacturing sites after July 2010 due to the minimum wages increase, they decreased overall at the clothing manufacturing enterprise. This was due to the retrenchment of 8.5 full-time equivalent employees between July and November 2010 which, as described above, was brought about by the continuing lack of orders. Owners and managers at this manufacturing site, and at two others facing declining orders, resisted cutting staff numbers and reducing hours of work as a means of reducing labour costs. Employers were concerned that any reductions in work hours could prompt resignations among employees with specialised skills and experience. In the fourth manufacturing site there was greater scope for varying employee hours as this enterprise employed a higher ratio of casual staff compared to other manufacturing case study enterprises and it had in place a banked hours scheme (for permanent workers) which enabled flexible rostering around fluctuations in trade.

Looking ahead to 2011 and beyond, those enterprises facing low-cost overseas competition (furniture and clothing manufacturers) anticipated that unless trading conditions improved markedly in the near future, they would face a gradual decline of local operations, dwindling staffing numbers and, in the case of the clothing manufacturer, moving manufacturing offshore to a country with lower production costs.
14.3 Retail

The retail enterprises in the study reflected the diversity of this sector in terms of the differing features of retail subsectors. Most had experienced flat or declining trade since the GFC and continued to experience lower levels of turnover during the research period. Small to medium retail enterprises—typified by the case study enterprises—are primarily award-reliant, with the exception at site level of managers, who are in some cases in receipt of an annual salary that is treated as an overaward payment.

14.3.1 Operating context, pressures, and trading environment

Similar to the experience of case study enterprises in other sectors, the pressures and operating environments faced by retail enterprises in the study remained consistent over the nine-month research period. For food and plant (nursery) retailers in this study, competition from large retail chains on the basis of price discounting was the principal pressure on their business. This was linked with pressures stemming from the downturn in the economy, successive interest rate rises and a reduction in discretionary income, which drove customers to shop at larger chains offering goods at lower prices. For another specialist retailer in the study, the GFC and tightened corporate budgets had led to a drop in trade among corporate clients. In addition a reduction in foot traffic in the inner-city location in which the retail site was based was thought to be due to a reduction in individual discretionary income.

Such pressures were reflected in the trading conditions experienced by retailers in the study. Between March and July 2010, most experienced continued low levels of sales revenue. By November 2010, the independent supermarkets and nursery reported that trade in 2010 was significantly down on trade in previous years. This compared with the fast food franchise operator, who had experienced an increase in trade during 2010 when compared to the previous year. Having only acquired the business in March 2010 (and having no knowledge of the previous trading environment or of the management practices used by the former owner), the current owner was at a loss to explain why trade had increased, but thought that higher levels of foot traffic within its shopping mall location may have led to some increase.

Three enterprises—an independent supermarket, a specialty retailer and a fast food operator—all experienced a customary seasonal upswing in trade from July 2010. In contrast, a second independent supermarket faced a decrease in sales since July, which was attributed by the owners to a lack of hands-on management at the site. Likewise, a nursery had experienced declining trade during the second half of the year which was considered to be due to persistent rain. It was commonplace for nursery sales to be affected by weather patterns (the amount of rain and sunshine occurring). Despite consistently poor sales throughout 2010, by the latter half of the year local area drought restrictions were lifted, giving the owner some cause for optimism that sales might increase in the future.

While sales were in decline at most sites, at the same time the costs of operating retail businesses were reported by most operators to be increasing incrementally throughout the research period. The costs of transporting goods, utilities, rent, council rates, compliance with regulations and servicing debt were all highlighted as having increased markedly throughout 2010, thus reducing margins and adding to the pressures on business operators. An additional cost pressure that emerged for two case study employers during the course of the study was that of theft of stock. A fast food operator had dismissed three staff members who had been engaged in stealing money and/or giving away free products to the value of $4 500 over several months. The nursery operator had also faced systematic theft of stock worth over $10 000.
A retail enterprise in the study was unable for the duration of the study to secure finance to move to a better location. In the view of the employer this has resulted in a lost opportunity to grow and increase revenue, and the perpetuation of additional costs associated with upkeep of a deteriorating site.

As described in the Part 1 of the report, in March 2010, smaller specialist retailers displayed little or no knowledge of the transition to the modern awards while larger supermarket owners expected the phasing to the modern award on 1 July 2010 to have a significant impact on labour costs due to increased weekend penalty rates and allowances for carrying out certain duties. Immediately following the phasing to the applicable modern award, which commenced on 1 July 2010, two retail employers described dissatisfaction with the transition process and/or concerns regarding the impact of increased labour costs flowing from the transition. However they were unable to estimate the extent to which the transition to the new award had resulted in net increases to labour costs since March 2010.

By November 2010, the new award rates appeared to have been successfully bedded down in the four retail sites where employers were aware of the transition process. One retailer had re-rostered staff to minimise labour cost increases relating to a one-hour increase in minimum shift lengths for casual employees, and had re-classified staff in line with the transition to the new award. A second employer planned to review employee classifications as part of the transition process and expected that a number of permanent staff would be re-classified higher on the modern award scale, resulting in increased wage costs.

Most of the retailers in the study described difficulties recruiting quality staff, in the context of high levels of turnover throughout the research period (particularly among casual workers). Supermarket, specialty store and nursery owners all described difficulties finding employees who were willing to work flexibly, work weekends, or work the hours of operation of the business and were critical of the poor work ethic and lack of initiative of many younger workers.

14.3.2 Responses to pressures and adjustments made at the enterprise level

Retail employers responded to the pressures they faced by employing a variety of strategies. As in other sectors, some of these strategies were used as a matter of course on an ongoing basis to minimise costs and improve margins, irrespective of whether the enterprises were operating in a favourable or unfavourable trading environment. In a few cases, enterprise owners employed one-off strategies in response to poor trading conditions that involved divesting sites or businesses in order to scale back operations.

Independent supermarket and nursery operators responded to price competition from larger chains by: differentiating their offering from the chains by providing superior, more localised or community-focused customer service; developing strategies to manage the supply chain by (in the case of the nursery) setting up a local network of small independent nurseries and (in the case of an independent supermarket) by buying a wholesale produce business to supply the supermarket; and by reducing the cost of wholesale purchasing to lower the price of ‘bread and butter’ items (and thus attract customers away from the larger chains).

Declining trade in two enterprises over the course of the study led to the owners closing shops or divesting businesses in order to focus more closely on increasing the profitability of their remaining retail operations. A specialty store owner closed his flagship store in an inner city location because council rates had increased significantly and foot traffic had declined. He then opened a new store in a suburban site that he owned, which led to a reduction in rental costs. Likewise, an independent supermarket operator with a portfolio of seven retail businesses divested two businesses over the course of the study (a supermarket and the previously-mentioned
wholesale produce business). In the latter enterprise, the operation’s group office was to be disestablished in late 2010 (resulting in a number of redundancies) in order to reduce administration overheads. The owners also negotiated favourable debt repayment terms with financial institutions to improve cash flow. All of these measures were taken to allow the enterprise owners to improve the profitability of their remaining businesses (including the case study site) through more active management of the enterprise by the owners. The owners intended to spend more time at the case study enterprise/site in order to more carefully minimise labour use and improve the purchasing of wholesale goods.

Cost reduction strategies were the principal means by which retail case study operators attempted to improve margins in the face of declining trade and increased operating costs. Labour costs made up a critical component of overall costs for retail case study enterprises, and supermarket and fast food operators focused much effort on maintaining labour costs at the level of benchmarked labour cost to sales ratios (which set optimal labour costs at levels between 11 and 27 per cent of sales). Increases in other fixed cost elements and reductions in trade resulted in business owners in all retail operations adjusting labour costs downwards by shedding staff (particularly casual staff), shortening work hours, pushing staff to work harder and faster, and through the business owners working longer hours in the business themselves. In contrast with strategies employed in some hospitality, manufacturing and community services enterprises, it was rare for retailers to pass on increases in operating costs to consumers in the form of price increases, given intense competition with other retailers, particularly competitors selling products at discounted prices.

Throughout the course of the study, several employers sought to minimise labour costs by reducing casual staff hours in line with seasonal fluctuations in trade (through attrition and distribution of fewer hours to casual staff), and actively engaged in ‘weeding out’ less productive employees through a combination of dismissal and attrition. In addition, at the time of the July visit, two retail employers appeared not to have applied the minimum wages increase. By November this had been rectified (at least in part) at one site, but at another the base rates paid to award-reliant positions had not changed since the March visit.

Operators of supermarket case study enterprises attempted to offset increased labour costs stemming from the transition to the modern award and the minimum wages increase by reallocating tasks and staff in order to avoid paying penalty rates and allowances and by increasing the proportion of junior employee hours worked in the enterprise. However in one supermarket junior employees were found by the employer to be unwilling to work the hours that the employer had rostered them to work. In another, junior hours on Sundays were reduced and worked by older and more experienced workers. Senior employees who required limited supervision and could work across most areas of the business were seen as providing greater productivity for every hour they worked, thus providing better value for money.

Retail operators had less discretion to reduce non-labour operating costs such as rates and utilities costs. However across all three phases of the research they were actively assessing or implementing strategies for reducing freight costs in the context of increasing distribution costs, particularly operators in regional areas who experienced freight costs that put them at a price disadvantage compared with the larger chains. Others sought to reduce wastage and set in place new strategies to minimise theft by employees and outsiders.

14.4 Hospitality

The hospitality enterprises in the study varied widely in terms of the size of operations and their location in a range of industry subsectors. On the whole, the larger hospitality employers in this study tended to fare better than smaller enterprises throughout the period of research. Reduced consumer discretionary income impacted
most hospitality enterprises in the study and caused most to step up promotions to draw in new or existing customers. As in other sectors, the majority of employees in lower skill jobs (for example waiting and bar staff) are paid award rates while supervisors, managers and chefs are paid annual salaries which are treated as overaward payments.

### 14.4.1 Operating context, pressures, and trading environment

At the time of the first research visit in March 2010, three of the six hospitality employers in the study reported that the GFC and successive interest rate rises had a pronounced impact on their trading environment owing to the continuing decline in consumers’ discretionary income. Owners and managers in these enterprises described the early months of 2010 as having been the quietest they had experienced in many years. The drop in trade coincided with increased operating costs, which were experienced by all hospitality case study enterprises. These included interest rate rises (and hence higher costs of servicing debt) along with increases in the cost of complying with government regulations (for example licensing fees) and in liquor, utilities and transport costs.

The effect of the GFC had been relatively minimal for the other three hospitality employers. For one hotelier, bar patronage had declined over the period of the downturn, but it had been steadily reducing over many years regardless of the GFC. This hotel/bistro, and a second, also faced increasing levels of competition from local registered clubs for bistro, bar and gaming revenue. A large hotel/bistro enterprise had weathered the GFC well but had found the trading environment ‘a little bit tougher’ during the first half of 2010. It reported that gaming revenues in the first half of 2010 were down compared with 2009 while bistro revenues remained buoyant due to the enterprise engaging in large-scale promotional campaigns to draw in diners. However the managers reported that revenue had risen in the second half of 2010 due to increased bar, gaming and bistro trade.

During the second phase of the research in July 2010, four hospitality enterprises saw marginal improvements compared to their revenue in March, in two cases consistent with expected annual (mid-year) increases in trade. By the third phase of the research in November 2010, it was evident that the circumstances of hospitality case study enterprises were still mixed, but that the enterprises were, on the whole, experiencing a seasonal upswing. The operating circumstances and pressures experienced by these employers had not changed since July but most experienced an improvement in their trading environment due to higher turnover. While a regional hotel/bistro experienced the same (stagnant) trading conditions they had faced in July, all other enterprises had experienced an increase in trade since July in line with usual seasonal trends.

The three larger hospitality enterprises—two registered clubs and a large hotel/bistro operation—had fared the best throughout 2010. Both clubs had experienced incremental growth throughout each successive quarter of 2010 and trade had improved in 2010 when compared with the 2009 calendar year. Similarly, by late 2010 profits at the large hotel/bistro operation were tracking well when compared with previous years, and in the latter half of the year the business owners acquired a large operation which boosted the size of the operation significantly.

Consistent pressures felt by employers across all three phases of the research related to labour management issues. This included problems recruiting staff with customer service skills and those in areas of short supply such as trained kitchen staff. In the first phase of the research in March 2010, several employers expressed difficulty interpreting and applying hospitality sector awards—both the former and modern awards. Managers in three enterprises anticipated that transitioning to the new award rates on 1 July 2010 would either increase their wages bill, or that the transition to the new award rates would influence decisions around future training of staff. By the second and final phases of the research, the impact of the transition to the new awards appeared to be relatively muted and less substantial than initially anticipated, with employers at these enterprises appearing to
have transitioned to the new award with little difficulty and with only a minor impact on labour costs. Only one hospitality employer experienced a substantial administrative burden in transitioning to the new award. There was no impact of the modern award on labour costs at a small hotel/bistro in the second research phase as employees were not being paid at the correct modern award rates at the time of research interviews. However by the time of the third research visit in November 2010, employees had received pay increases and the employer believed that these were now paid at the level of modern award rates.

The increasing cost of compliance with industry legislation and regulations was a pressure felt by some employers across all three research phases. Volatility in regulations relating to the gaming sector was an issue for the three licensed hotel/bistro enterprises and two registered clubs, all of which had gaming facilities. By the time of the final phase of the research, one employer had been fined for non-compliance in relation to the operation of their gaming facilities. This had also raised their labour costs substantially by requiring them to roster additional staff to manage gaming areas. A second employer had chosen to purchase entitlements to the gaming equipment they operated following changes in state gaming laws, which had provided the impetus for restructuring the organisation and setting up a new division to manage the operation of this function. In November 2010, registered clubs managers cited as looming pressures the impact of new federal gaming regulations relating to the introduction of individual limits on maximum spend on gaming machines and mandatory pre-commitment technology.

14.4.2 Responses to pressures and adjustments made at the enterprise level

Throughout the period of this research, hospitality employers engaged in three main strategies to counter pressures relating to declining revenue and increased costs. They cut labour costs, increased promotions in an attempt to boost patronage, and raised the price of goods sold. However these strategies were also implemented by the three employers who operated in a fairly profitable trading environment throughout 2010, indicating that such strategies may be commonly employed as a matter of course by hospitality employers, irrespective of variance in the trading environment.

Consistent with retail enterprises, hospitality employers attempted to minimise labour costs by reducing the work hours of casual employees and engaging in tighter rostering of staff. In the second and third phases of the research it became evident that changes to employee hours of work were most commonly experienced in hospitality enterprises as part of ongoing ‘lean rostering’ strategies or in response to fluctuations in demand. Employers sought to minimise work hours as part of continuing refinement of rosters due to movements in trade and revenue. As the research period progressed, owner-managers of smaller hospitality enterprises stated that they worked an increasing number of hours in the business to reduce wage costs.

Lean rostering practices used by retail and hospitality employers throughout the course of the study included minimising the number of rostered hours that attracted penalty rates. In terms of the latter, the owners of two enterprises (an inner-city restaurant and a licensed hotel/bistro) had, for example, assessed that it was no longer viable to remain open on Sundays and public holidays given penalty rates that doubled or tripled standard hourly rates. Throughout the course of the research, the hotel/bistro successively reduced its Sunday opening hours, and in the latter months of 2010 the restaurant owners made the decision to no longer open on public holidays. The owners of this site also reduced staffing costs by replacing highly-paid managers (when they resigned from the enterprise with lower paid, less experienced managers.

Most of the case study enterprises increased their spending on promotions in order to draw in new customers. Four hospitality enterprises employed pricing strategies to attract customers. Discounted meal promotions and overall reductions in menu pricing were successfully used by enterprises to a growing extent throughout 2010 to
attract new, increasingly price-conscious customers away from higher-priced competitors. However this meant that profit margins remained at low levels, and at the same time, meal and beverage prices were increased by a percentage below CPI increases at two enterprises during the study’s duration.

In the latter half of the study, some employers engaged in strategies to increase the average spend per customer. One enterprise did this by making changes to the physical environment of the enterprise in order to resemble more closely a ‘high-end’ restaurant (thus encouraging patrons to spend more on additional courses and wine); and a hotel/bistro decreased main meal portion sizes and urged staff to ‘upsell’ by encouraging customer spending on desserts. Other strategies designed to improve margins per unit cost included reducing wastage and reviewing the costs of ingredients (and relationships with suppliers of ingredients).

Future adjustment strategies were flagged by small hotel/bistro owners who faced an expected continued decline in trade. For one, the ongoing decline in trade continued to reinforce the value of his proposed strategy of diversifying into the accommodation and conferencing sector (via a planned large-scale development to be built on the current hotel site). For another employer, the decline in trade had initially prompted a desire to sell the business. However it became clear that selling the business in the current environment was not an easy proposition. At November 2010, the owners were instead engaging in a broad-ranging review of operations with the intent of designing strategies to improve operations in the future.
15  Employment practices

This section is in two parts. The first half examines factors other than the operating context that influenced employer decisions regarding employment practices. Rather than reflecting upon changes that occurred over the course of the study, it analyses issues of employer capacity and employer philosophy and examines how these factors act to shape employment practices—including those relating to compliance with employment standards. The second half of the section examines labour management over the course of the study. It does this by addressing the different areas of employment practice outlined in Part 1 of the report.

15.1  Employer capacity, attitudes and compliance

Employment practices and labour management were central areas of concern to employers across the study. They constituted the area of the business over which the employer had most control within the constraints of their respective operating contexts, particularly as a means of containing costs. Employers also recognised that the management of employees was critical to delivering desirable levels of productivity and service. The relative focus ascribed to labour cost containment on the one hand, and to satisfying employee rights and preferences on the other, played out quite differently at each of the enterprises. This appeared, in part, to be shaped by the capacity of the employer: that is, their knowledge of employment frameworks and the resources and opportunity they had to implement different employment strategies; as well as the attitude (philosophy) of the employer. Varying degrees of enterprise capacity were evident within case study enterprises and this, in combination with the philosophy of employers, helps to explain decisions that were made regarding employment practices and adjustment strategies.

The degree to which enterprises were compliant with employment regulation was influenced by employer capacity and attitude. It became apparent over the course of the study that a small number of enterprises were not fully complying with their labour obligations, while other operators were assiduous about adhering to those standards, and others sought to improve upon them. This affected the relative labour costs for those enterprises.

15.1.1  Employer capacity

Data collected in all three phases of the research highlighted several factors that shaped the adjustment strategies and labour management practices used by employers. Key among these was the enterprise’s operating context, but they were also shaped by the capacity and attitudes (or philosophies) of managers and owner-operators. The definition of capacity set out in Part 1 of the report centres on the level of knowledge of employment frameworks and systems held by enterprise owners and managers. Employer attitudes were found to shape the practices and strategies used by employers in operating the enterprise, while capacity determines the knowledge that was available to employers to inform their choice of strategy, and the resources available to implement chosen strategies.

15.1.1.1 Structural characteristics shaping labour management capacity

An assessment of the characteristics of case study enterprises was made in order to determine the level of employer capacity available within enterprises. This facilitated the categorisation of three ‘groups’ or ‘types’
of case study enterprises; those with low, mixed, or medium to high labour management capacity. Structural characteristics of employers in each of these groups are summarised in Table 15.1 and in the section below.

Table 15.1: Case study enterprises categorised by degree of employer capacity

<table>
<thead>
<tr>
<th>Employer type 1</th>
<th>Employer type 2</th>
<th>Employer type 3</th>
</tr>
</thead>
<tbody>
<tr>
<td>Low labour management capacity</td>
<td>Mixed labour management capacity</td>
<td>Medium-high labour management capacity</td>
</tr>
<tr>
<td>Structural characteristics:</td>
<td>Structural characteristics:</td>
<td>Structural characteristics:</td>
</tr>
<tr>
<td>- Owner-managed</td>
<td>- Owner-managed</td>
<td>- Hierarchy of professional managers (some including HR function)</td>
</tr>
<tr>
<td>- Micro (small) employers</td>
<td>- Medium sized employers</td>
<td>- Most medium-large employers</td>
</tr>
<tr>
<td>- Retail/hospitality</td>
<td>- Retail/hospitality</td>
<td>- Hospitality/Manufacturing/Community services</td>
</tr>
<tr>
<td>- Most are not members of employer associations</td>
<td>- Members of employer associations</td>
<td>- Members of employer associations</td>
</tr>
</tbody>
</table>

Ownership and management structure

Enterprise ownership and management structures appeared to be linked to the size of case study enterprises, with smaller low and mixed capacity enterprises operated by owner-managers and larger medium-high capacity enterprises managed by tiers of ‘professional’ (salaried) managers. There appeared to be a positive relationship between the degree of labour management capacity and the number of managers employed in case study enterprises and sites. Larger management teams or multiple tiers of management had a greater base of knowledge relating to employment frameworks and were found to provide a greater number of checks and balances in matters of compliance with employment regulations. Greater management capacity appeared to enable more time to be spent on employment matters in these enterprises than was available to owner-manager operators.

Size

Low capacity employers in the study tended to be micro (small) employers, employing between 4 and 11 employees.45 The second ‘mixed’ capacity category tended to be populated by employers with workforces of between 12 and 30 employees. In contrast, medium to high capacity employers were in the main medium to large employers.

Sectoral location

Retail and hospitality enterprises were more likely to be found in the low and mixed capacity categories while manufacturing, community services and some larger hospitality employers were categorised as medium to high capacity employers. The medium to high capacity of manufacturing and community services enterprises appeared to be a function of the presence of broad (departmental/functional) or deep (multi-tiered) management structures in these organisations, but also of strong external institutional support from peak associations and high union presence in the sectors (leading to positive established norms around compliance with employment standards).46 Small and medium sized retail and hospitality enterprises were categorised as low or mixed capacity employers. This is due to a range of structural characteristics. However low levels of

45 Employee numbers refer to actual number of employees rather than full-time equivalents. At the time of conducting the study, small enterprises were defined by the ABS as having 1 to 19 employees; medium enterprises had 20-199 employees and large enterprises employed 200 or more employees. (see ABS catalogue number 1321.0, 2002)
46 All of the manufacturing enterprises in the study were assessed to be medium to high capacity employers despite their relatively small size as enterprises (they employed workforces of between 15 and 46 employees).
labour management capacity among this group may also have been exacerbated by the complexity of labour management in these sectors, where rostering arrangements are often more complicated due to frequent fluctuations in labour use and the wide daily spread of operating hours common to the sectors.

**Institutional supports**

As described in Part 1 of the report, the ability for enterprises to gain access to and apply advice from employer associations shaped the degree of labour management capacity within an enterprise. Table 15.1 shows that low capacity employers were less likely to be members of employer peak associations than employers of mixed or medium to high capacity. Some low and mixed capacity employers were members of employer associations, but rarely sought advice on labour management issues or minimum standards of employment from these bodies as they saw these areas as being the responsibility of contracted bookkeepers or payroll bureaus. Two low capacity business owners agreed that they would benefit from advice from employer associations pertaining to a range of operational areas of the business (most prominently labour management), but had not joined the relevant associations because they did not want to pay the cost of membership.

A retail franchise case study enterprise provided an example of how a range of institutional supports boosted the financial viability and labour management capacity of the enterprise. The business owner received a significant degree of support from the franchisor in return for a fee calculated as a proportion of the enterprise’s sales turnover. Support included providing guidance in relation to structuring day-to-day operating practices in accordance with a range of benchmarks which were proven to lead to profitable margins as well as providing the franchisee with standardised procedures and policies to assist in the smooth operation of the business. They included, as examples: cash control policies; wastage reduction procedures (and the provision of staff training in these procedures); and ratios of staff numbers to hourly sales turnover (via rostering ‘formulas’ which allowed for daily rostering around hourly peaks and troughs). The franchisor was on hand to assist in the solution of any operational or labour management problems encountered by franchisees, and strongly recommended to franchisees that they also join the relevant employer peak association for further advice and assistance on labour management issues.

**15.1.1.2 Elements of labour management capacity**

The notion of labour management capacity as developed in Part 1 of the report includes characteristics such as: the depth of employer understanding of employment frameworks, regulations, and pay-setting practices; innovation in labour management practices; and degree of compliance with statutory and other legal standards. The first two of these elements of capacity are explored in this section, and the links between capacity, employer attitudes and compliance are further examined in section 15.1.3 of this part. Essentially, labour management capacity relates to the degree of activity and the concentration of expertise that was available and invested in managing employment matters at each case study enterprise. Labour management capacity is intricately bound with employer attitudes in determining the decisions employers make about the employment practices used within enterprises, the adjustment strategies used in response to pressures and features of the operating context, and responses to minimum wages increases.
15.1.1.2.1 Understanding and knowledge of employment frameworks

Mixed and medium-high capacity employers were universally members of employer associations and most actively sought advice from these bodies on matters pertaining to compliance with employment regulations. Some of these employers also regularly used the services of industrial relations consultants. The level of knowledge regarding employment standards and frameworks was significantly higher in larger high-capacity organisations with human resources staff or multiple operational managers with responsibility for dealing with employment matters than it was in low capacity organisations managed by owners. Smaller, low capacity employers tended to rely on sources other than employer associations for information regarding employment obligations and changes to employment regulations and minimum standards. Some contracted bookkeepers to periodically check the base rates paid to staff or employed payroll services companies to determine and administer rates paid to new staff. Many small retailers relied on a particular business software package (MYOB) to keep them apprised of compliance obligations or changes relating to wage rates and superannuation contributions.

The degree of labour management capacity within an enterprise had some bearing on the ability of enterprise owners or managers to successfully manage the transition to (and maintain compliance with) the modern award system. As noted in Part 1 of the report, some employers of what may be termed medium-level labour management capacity expressed difficulty interpreting and applying awards (both the former and modern awards). At the higher end of the capacity spectrum, larger employers with internal human resource or operational management expertise were able to systematically implement changes to the operation flowing from the transition well before the necessary date.

The period of transition to the modern awards prior to and following 1 July 2010 and the application of minimum wages increases at the same time led to difficulties for a small number of employers in establishing the correct rate and classification level that applied to employees from 1 July. Industry stakeholders from employer associations reported that they had been required to issue successive information sheets to members, each containing different rates, as a result of new information being issued by the Fair Work Ombudsman and Fair Work Australia.47

When interviewed in the July phase of the research, low capacity employers displayed low levels of awareness of the 2010 minimum wages increase. Some conflated the transition to the modern award system with the minimum wages increase. For example, when interviewed several weeks after the minimum wages increase, a small employer who outsourced payroll to a bookkeeper was unaware that a minimum wages increase had taken place, stating ‘I’m not on top of it as I should be, probably because we’ve got a bookkeeper who handles all the payroll and all that sort of stuff’. A second micro employer was unable to distinguish the impact of the transition to modern awards from the minimum wages increase, stating ‘… there is two things, isn’t there? … Things, I am talking things. I don’t even know the technical terms …’. The same employer was unsure whether his employees were employed on a permanent or casual basis (‘You would think I’d know, wouldn’t you? … I should be on top of it … I try not to think about it too much’).

47 Researchers, while investigating earnings data provided by employers and employees, had cause to use the various government web tools designed to assist people with checking wages from July 1 2010. It became clear that there was opportunity for confusion to arise from using these tools. For example one of the web tools appeared to publish new modern award rates based on information keyed in by the user. A fairly careful reading of the ‘results’ webpage was necessary to establish that the rate was in fact based on the October 2008 level. It was clear from our discussions with some employers that the knowledge required to use the tools with accuracy was beyond them. In effect, a little knowledge could mislead the web user into assuming they had correct information, despite the provisos published on the sites. A significant degree of knowledge of wage instruments was needed to understand that the information they had retrieved was not right for their circumstances. This contrasted with the experience of a human resource manager who described, after some effort, mastering the tools and putting them to very good use. However, her observation underlines how this took some effort, ‘…the Fair Work website, once you’ve used it a few times it’s very good. But to learn how to use it to start with – I think I’m intelligent but this is almost impossible.’
Data collected from employees and employers in several case study enterprises revealed that employees had not received minimum wages increases in the period directly following the 1 July 2010 minimum wages decision. In three enterprises this occurrence seemed to stem from employer confusion about, or lack of knowledge of, the 1 July 2010 minimum wages increase. As described in Part 2 of the report, employers in these enterprises believed that they were exempt from applying minimum wages increases either because employees had experienced an increase to their take home pay through tax cuts, or because their employees were situated on award classifications above entry level (and in the minds of employers were thus paid ‘above the (entry level) minimum wage’).

Labour management capacity also had some bearing on employer practices around planning for minimum wages increases. A number of the medium to large sized, high capacity employers planned for minimum wages increases as part of their budgeting processes. It was particularly common for larger community services case study enterprises to plan for minimum wages increases as part of the process of costing services in advance (including labour costs) when seeking government funding for services.

15.1.1.2.2 Innovation and sophistication in labour management/HR practices

The degree of labour management capacity within an enterprise shaped the extent of innovation and sophistication in employment practices used. Enterprises characterised by medium to high labour management capacity were more likely to engage in sophisticated human resource practices such as conducting internal climate surveys and exit interviews, and closely monitoring the results of these exercises. A number of medium to high capacity organisations had a strong focus on investing in staff development through formal training systems. They were also more likely to use innovative labour deployment and working time management practices, such as ‘banked hours’ systems or sophisticated time and attendance systems. Enterprises in this category with multiple sites were able to employ staff across sites according to peaks and troughs in demand, providing the stability of regularly weekly hours for employees and the certainty of a stable workforce ‘pool’ for employers.

As described in Part 1 of the report, a large community services enterprise had conducted a broad-ranging review of its workforce, prompted by excessive agency staff costs, in order to assess where savings could be made by altering the mix of categories of employee. A solution was designed whereby new full-time and part-time permanent roles were created in areas of high agency staff usage. This resulted in an improvement in job quality for employees in these positions but also ensured consistency of care for clients. This approach to labour management – conducting a review of labour usage and implementing enterprise-wide solutions—may be seen as more systematic and less ad hoc than that used in low capacity enterprises, where owners/managers more commonly sought to reduce the paid hours of work or hourly rate of employees on a person by person (or job by job) basis.

Finally, a high degree of labour management capacity enabled organisations to respond to labour shortages in innovative ways. Examples were given of high capacity enterprises where innovative solutions were planned or developed to source, recruit and retain scarce workers. These included recruiting staff with the right ‘attitude’ and training them in the skills needed to do the job; recruiting school-based trainees and apprentices or establishing strong internal career path structures and multi-skilling programs with a view to ‘promoting from within’; recruiting employees with caring responsibilities and providing them with flexible working arrangements; or (as mentioned) establishing pools of casual or permanent employees in areas of skill shortages in order to avoid reliance on agency staff to fill shortages.
Many of these strategies were much less available to smaller enterprises due to the capital costs that were often involved, the time investment that was required from the owner/operator, and the internal expertise needed to identify solutions and implement them. In some cases the small size of enterprises also limited their capacity to adopt strategies used by larger enterprises which were much easier to implement with a critical mass of workers.

15.1.2 Employer attitudes and philosophy
The philosophies and attitudes of case study employers influenced the decisions made in the operation of the enterprise. Part 1 of the report described how differing employer philosophies manifested in terms of employers’ decisions about the shape and nature of the workforce. Some employers, for example, prioritised workforce flexibility, and were comfortable with a workforce that turned over frequently, whilst others placed a premium on retaining staff. Along with the enterprise’s sectoral location, employer philosophy also influenced decisions about the configuration of the workforce in terms of categories of employment—for example, whether the workforce would be majority casual or permanent, with regular weekly hours of work, or variable hours. This in turn shaped decisions about adjustment strategies used in response to pressures or changes in the operating context (including minimum wages decisions).

Some owner-operators of low capacity businesses, for example, were inclined to give a low priority to employment matters in light of what they saw as the more pressing nature of other issues (such as preventing theft, ordering stock, or creating workable business information technology (IT) systems). And they appeared more willing to minimise cost by delaying implementing compliance.

In these enterprises, challenges associated with long opening hours, lean rostering, and ideas that employees did not exert their full effort were not unusual. These employers were also more likely to justify their lack of focus on employment issues by explaining that employees were equally unconcerned with employment details, didn’t need the money or didn’t care about the money. This was at odds with employee participant views suggesting that these employers had an incorrect impression of employee attitudes about their work and earnings.

Other enterprise owners and managers, which represented the majority of case studies, exhibited a strong sense of obligation with regard to their role as an employer. They discussed their role as a key source of employment in the local community and the need to maintain fairness and wage equity within the organisation. Amongst owner-operators of small to medium sized enterprises who took such matters seriously, it appeared that the effort that went into compliance came at some personal cost and contributed to the long hours that they worked in the business. However, their commitment to delivering fair employment outcomes for employees and concerns relating to the consequences of prosecution drove them to attend to that part of the business. Such attitudes were reflected in labour management adjustment strategies and the level of compliance with statutory employment standards.

As a means of assessing the priority assigned to labour management by employers, and to gain a sense of how employer philosophy shapes adjustment strategies, data were collected regarding employer views on the importance to the business or enterprise of keeping on top of employment issues at the workplace. Employer responses highlighted variation in attitudes by sector. Manufacturing employers emphasised the importance to the business of: keeping staff happy through the prevention or early resolution of conflicts between staff; maintaining two-way dialogue with employees and providing them with information about the business; and keeping them apprised of issues of concern and importance to individual employees. A manufacturing employer stressed the importance to the business of keeping on top of workplace employment issues:
To me it’s absolutely critical – it’s the critical success factor to keep on top of work issues, because the people you employ are the people who get the job done for you, and unless you’re on top of the issues for them, with them, you can’t expect them to solve problems for you. … Unless you’re on top of those issues that affect people on a personal level, I don’t believe that you can ask from them to deliver… People’s welfare is critical.

The importance of according priority to employment issues in order to maintain adherence to legally enforceable standards of employment was emphasised by several employers in each of the four sectors of interest. Some (including two manufacturing employers) stressed the importance of complying with minimum standards in order to keep staff happy and committed to the enterprise and in terms of treating employees with fairness and respect. Others (mainly larger and community services employers) felt that maintaining compliance with employment regulations was important from the perspective of risk minimisation (that is, by minimising the likelihood of the enterprise being financially penalised for non-compliance).

Employers from almost all community services enterprises, as well as those from several enterprises in each of manufacturing and hospitality, highlighted the link between the degree of organisational focus on managing employment issues and the extent to which employees provide quality service or outputs. Some noted that it was important for staff to be happy in their jobs in order to provide good customer service or client care, or to work to a high level of productivity.

Almost all community services employers emphasised that prioritising employment issues was of great importance because employees were the most important element in delivering services in the human services sector. Several of these managers made the link between positive management of employment issues and employers’ ability to recruit and retain employees.

Two small employers in the retail and hospitality sectors provided a different perspective in terms of the focus of activity around managing employment issues: they emphasised the importance of employers controlling wage costs, managing employee performance and making staff work harder, in order to ensure the financial viability of the enterprise.

Links may be drawn between employers’ espoused attitudes regarding the relative importance of labour management compared with other areas of operational management and the adjustment strategies used in enterprises over the course of the research. Firstly, manufacturing case study employers’ concern for employee welfare and their acknowledgement of the link between proactive labour management and productivity outcomes played out in terms of their use of adjustment strategies aimed at ensuring job security and regular full-time weekly hours of work for the majority full-time permanent workforce. Secondly, larger employers and manufacturing and community services employers accorded priority to ensuring compliance with minimum employment standards (in order to minimise financial risk and treat employees fairly). This is reflected in these employers’ adherence to employment regulations. Most used labour management strategies focused on retaining a core of full-time, permanent employees and it may be that their focus on fair treatment of employees was reflected in the relatively low levels of labour turnover experienced by these employers. Thirdly, some employers acknowledged the relationship between proactive labour management and quality customer service, care, or outputs. Hospitality employers in this group used labour management adjustment strategies aimed at reducing labour costs, including lean rostering practices, but in general most of the enterprises in this group operated in relatively stable trading/funding contexts over the research period and few utilised adjustment strategies aimed at substantially reducing labour costs.
Along with employer capacity, employer philosophy and attitude appeared to be a driver of employers’ willingness to seek out information relating to employment frameworks, regulations and pay-setting instruments, and any changes that had occurred in each of these, in order to ensure that enterprises remained compliant with minimum standards of employment. The relationships between enterprise capacity, employer attitudes and compliance are explored in the following section.

15.1.3 Compliance with employment regulations

Whilst the contexts within which the case study enterprises operate shaped employer decisions around employment practices, employer capacity and attitudes were also decisive influences on the extent to which case study employers complied with minimum legislated requirements, including minimum wages increases. A spectrum of attitudes towards compliance with employment regulations was evident among the case study employers. Many medium to high capacity employers in the study were rigorous about seeking out the correct pay rates and terms and conditions pertaining to their employees and applying them strictly. Ensuring compliance was an issue at the forefront of many of these employers’ minds. In contrast, low (and some mixed) capacity employers sought out a bare minimum of information about minimum employment standards and rates, or none at all, and issues of compliance were of only marginal concern to these employers.48

For some employers, changes and pressures in the operating environment led to compliance with minimum standards of employment. For example, the process of transitioning to the modern award (and in one case, organisational restructuring resulting from a takeover) compelled some employers to review employee entitlements. Employers were required to re-evaluate the placement of staff on award classifications and this led to the correct classification of some employees. The transition to the modern award also led to some employers who paid below the minimum rates under the old award subsequently transitioning staff to new base rates that incorporated the minimum wages increases (although there remained evidence that some employees in these enterprises continued to be paid at the wrong classification rate).

Evidence of apparent non-compliance emerged from the second and third phases of the research during interviews with both employers and employees and this evidence is described in Part 2 of the report. The types of apparent non-compliance encountered over the course of the study included:

- failure to pay the minimum wages increase;
- failure to pay the minimum wages increase on time;
- failure to apply/adhere to the classification system;
- failure to apply a casual loading, or the correct casual loading;
- failure to pay the correct penalty loadings;
- failure to pay for all hours worked; and
- failure to pay appropriate shift rates.

48 However, exceptions to this ‘low capacity/noncompliant; high capacity/compliant’ model existed: one relatively high capacity organisation, for example, pursued a strategy of minimising labour costs through what might be termed ‘sophisticated non-compliance’.
An example of seeming non-compliance that became evident (in phase two of the research) was non-application of the minimum wages increase by low capacity employers. Case study data indicated that employer responses to minimum wages increases were similar in enterprises of similar capacity which were operating in different (profitable/difficult) trading environments. Data collected in the July 2010 phase of the research indicated that low capacity employers across the board (operating in both profitable and unprofitable environments) had not paid the relevant minimum wage rates to employees, while high capacity employers had consistently applied minimum wages increases. By the November phase of the research, all but one of the low capacity employers had applied the minimum wages increase, however all low-capacity employers, and several mixed capacity employers (operating in both profitable and unprofitable environments), appeared to remain non-compliant with a range of other minimum regulated standards of employment. This indicated that employer capacity and/or attitudes influenced the extent to which employers comply with minimum employment standards as did the operating environments of enterprises.

Detailed questioning of employers indicated that some were unaware that they were non-compliant with the relevant regulations governing employment. However in many of these cases, non-compliance occurred because these employers gave low priority to employment matters and failed to ensure compliance by consulting the relevant industrial instrument or the National Employment Standards, or by seeking information from third parties such as employer associations. Other employers appeared to be aware that they were non-compliant but this did not alter their behaviour or appear to overly concern them. In one case the employer delayed rectifying identified areas of non-compliance in order to minimise costs by holding off paying higher wage rates until higher profit levels were realised.

Non-compliance—whether inadvertent or intentional—served as a means of minimising labour costs in these enterprises, and, it appeared that non-compliance (some leading to reduced wages bills) muted the impact of the minimum wages increase in low capacity enterprises.

15.2 Employment practices over the three research phases

It is clear from the examination of data over the three phases of the study that very few significant changes were made in terms of labour management practices used at the enterprise level over the period of research. Most changes were minor and tended to follow the general rhythm of employment practice as described by employers at the commencement of the study. Larger changes took place at enterprises where there had been major growth in revenue leading to increased workforces, or at sites subject to ongoing downturns in trade. For greater detail of these issues refer to PART 2, which provides a detailed examination of changes that took place between the different phases of the study.

15.2.1 The structure of the workforce: categories of employment

The configuration of employment categories at the case study enterprises remained essentially the same over the course of the study. Retail and hospitality sites continued to adhere to a core/periphery model of employment that allowed the operator to adopt the preferred balance of core permanent staff (generally supervisors, managers, and staff with skills in short supply or working regular rosters) and a more flexible group of contingent workers, generally casuals, to perform the easier to fill roles, providing the capacity for the use of just-in-time rostering. Manufacturing and community services sites continued to rely heavily on a stable permanent workforce. In both of these latter sectors quality of staff and the need to retain skilled/experienced employees across most of the workforce was of critical importance to the operators in the study.
By the conclusion of the study, the proportion of casual staff and/or casual hours worked at enterprises had grown very slightly in some hospitality sites due to seasonal peaks in trade. The growth in casual employment was due to actual and anticipated increases in trade that occurred at the end of each year. It was also expected that the need for extra casual staff would dissipate over the first few months of 2011. At some sites this fitted neatly with the student casual labour flow, in which graduating university students would exit the sector, thereby creating space for new casuals to secure shifts at those enterprises in the slower months to follow.

There was also evidence of significant increases in the proportion of casual staff at several small retail and hospitality sites. This appeared to be a product of turnover among permanent staff at these enterprises who were then replaced by casual employees. It was the practice at these sites to employ new entrants on a casual basis to assess their suitability for the job. In most cases it appeared to take a period of at least 12 months before casuals were offered any permanent job opportunities that had been made possible by other staff leaving. However, employers at these sites did take the opportunity to once again reiterate their lack of confidence in the merits of permanent employment to their respective businesses. One employer felt that permanent employees exploited entitlements like sick leave, and another believed that the quality of staff in the local labour market did not justify the risks to the employer associated with permanency.

The use of juniors, school-based trainees and apprenticed staff followed the same principles as those described in Part 1 of the report. Juniors were used in various ways to contain staffing costs and were still used to the same degree at the enterprises which used them at the beginning of the study, the exception being a drop in reliance upon school aged juniors at two retail sites. The operators at one site experienced greater difficulties in fitting them efficiently into the roster, and at another site the employer had lost confidence in junior workers’ basic employability, emphasising in particular their unwillingness to turn up to work on rostered shifts. Hospitality employers continued to experience difficulties in recruiting and retaining apprentice chefs.

There were no discernible changes in manufacturing and community services when it came to attitudes and practices associated with categories of employment. A community services operation had embarked on a program of reducing reliance on agency staff. This continued to be pursued despite difficulties in recruiting and retaining staff needed. The impetus for greater direct hiring was to cease payment of the premium attached to agency labour as well as providing consistent staffing to improve the quality of service.

15.2.2 Rostering practices and the management of work hours

The types of strategies used to manage hours by employers at the beginning of the study prevailed over the three phases. The careful management of hours was a tool used by most employers to contain employment costs. Lean rostering was a preoccupation amongst retail and hospitality employers. In these enterprises practices such as sending employees home early and cancelling shifts if trade was slow, as well as calling people in with limited notice when trade picked up unpredictably, were favoured and applied. In addition retail and hospitality employers continued to roster to contain costs by selecting specific categories of employee to work across the pattern of hours optimal for the lowest wages bill. Lean and low cost rostering was moderated by the need to retain quality staff and provide appropriate service levels. This was particularly the case in community services and manufacturing. The management of working hours and rosters played out in different ways at each enterprise, as described in Part 1 of the report, but remained consistent at each individual enterprise over the duration of the study.

Overall the number of employee hours worked at each site remained relatively stable and within parameters considered predictable by employers. The exception was at operations that had undertaken staffing cuts due to ongoing downturns in trade, or operations that experienced growth in employment numbers due to significant
increases in trade or service provision. At a site in the hospitality sector, middle management positions were cut due to ongoing low levels of trade. While supervisory hours dropped, floor staff hours remained relatively stable.

Overall, hours at a manufacturing site reduced as a result of the retrenchment of approximately 15 per cent of staff. Hours increased over the course of the study at another manufacturing site where trade had grown substantially, as well as at a community services operation where funding levels increased markedly, leading to a doubling of staffing numbers. A retail site underwent quite dramatic changes in the staff numbers and hours worked but this appeared to be as a result of seasonal trading fluctuations common to the sub-sector. In addition the site was operated by a new owner who was experimenting with rostering patterns throughout the period of the study. This may have contributed to the fluctuation in employee hours.

The sum of hours worked by employees at small to medium sized enterprise was also impacted upon by the owner/operator reducing or increasing their hours worked in the business. Most employers who worked long hours in their businesses continued to do so throughout the study. In some cases owner/operators and salaried staff increased the hours they worked in the enterprise at different times. These increases appeared to be as a result of unpredictable factors such as staff leaving at short notice or employees taking emergency leave. Owner/operator hours also declined at some sites where employers felt they had ‘bedded down’ issues that had required them to work extra hours in or on the business for a period. It was not common for employers to take over hours previously worked by employees. In the only enterprise where this did take place the operator claimed it was for security purposes rather than to cut costs.

Unpaid hours worked by employees and work intensification were highlighted as issues by several employers in the community services sector at the beginning of the study and continued to be a problem within these enterprises throughout the research period. Both were improved dramatically at one site when the funding formula was more effectively applied, leading to a sixty per cent increase in revenue. According to the incoming CEO, unpaid hours were eradicated at the site and employees were better able to manage their tasks within the hours of each shift.49

15.2.3 Wage-setting practices: the use of overaward payments

Sixteen of the enterprise case study sites had employees and/or managers in receipt of an overaward wage, while in the remaining four sites (all in the retail sector) staff were not paid overaward rates. In the first phase of the research, employees in receipt of overaward payments were identified in 12 case study sites. Over the course of the research it came to light that some employees/managers were paid overaward rates in two further sites. Initial difficulties faced by managers in identifying overaward payments were described in section 1.4.7 of Part 1 of the report. In another two sites, some previously non-award or minimum wage-reliant workers became subject to overaward payments during the course of the research period as a result of transitioning to modern awards or pay rates set out in collective agreements.

It was noted in Part 1 of the report that overaward wages were paid by employers for three principal reasons: as a means of recruiting staff in short supply whose market value exceeded that of the relevant award; in order to retain and reward staff in low-paid positions who brought value to the enterprise; and to provide employers with greater flexibility to roster staff across unsociable hours. Overaward payments were standard in all manufacturing enterprises in the study and were prevalent in hospitality enterprises (among managerial/supervisory staff and chefs) and in community services enterprises among managers and employees in ‘difficult to recruit’ categories. These payments were rare in retail enterprises in the study: in the one retail site in which marginal overaward

49 This was confirmed by employees at the site who made the same observations based on their personal experiences.
payments were paid to a small number of staff, they were phased out (or ‘absorbed’) for most of the employees subject to overaward payments following the 2010 minimum wages increase.

There was minimal change in the prevalence of overaward payments throughout the course of the study, with little movement of minimum wage-reliant employees to overaward arrangements. A few exceptions were evident, for example in hospitality and manufacturing enterprises where casual employees were made permanent and in doing so shifted to new overaward rates (consistent with those applied to all permanent workers in these enterprises). In a second case, the new management team operating an aged care enterprise planned to begin paying overaward rates to enrolled nurses who were authorised to administer medication in early 2011. This was done in order to recruit and retain nurses in competition with higher-paying public sector organisations. And in two community services enterprises, non-award employees were brought under a modern award, and some formerly award-reliant employees began to be paid rates set out in a collective agreement, ahead of being fully transitioned to the agreement in early 2011. In both cases, these employees’ existing or new wage rates were higher than the award rate, and so became overaward payments ‘by default’.

The impact of overaward payments on the total labour costs of case study sites was relatively slight (in terms of the proportion of overall wages costs paid in overaward payments) and did not change in magnitude over the course of the research period. Employers universally asserted that employment of overaward staff did not prevent them from employing a greater number of minimum wage-reliant employees. This may be because in many cases the amount of overaward payment was only marginally higher than minimum wages rates, and in other cases the payment of overaward wages was felt to be essential in order to recruit employees in particular occupational groups or in tight labour markets, and was therefore not optional.

Ten enterprises based overaward increases on the minimum wage decision. Of these, one enterprise—the community services organisation that was not covered by the minimum wage decision—did not pay an increase to overaward wage earners during the research period as wage increases in this enterprise were linked to minimum wage movements. During the research period, seven of the ten sites directly passed on the minimum wages increase (the full amount of the increase, or a higher amount) to overaward recipients, adding $26 to their weekly wage or to the hourly equivalent. This group included three manufacturing sites and two sites within each of the community services and hospitality sectors. Case study employers in this group reported applying minimum wages increases to overaward recipients for three principal reasons: to maintain intra-organisational pay equity between wage-reliant and overaward employees; to retain or reward overaward employees for performance or length of service; and because the minimum wages increase provided a convenient means of paying an increase to these staff in the absence of other pay review mechanisms.

Employer philosophies and attitudes towards labour management practices were reflected somewhat in employment practices governing certain groups of overaward employees. For example, in hospitality enterprises where chefs were employed on overaward arrangements there was significant variation in the average weekly hours worked by chefs. Some employers ‘capped’ the hours of chefs at 38 hours per week due to concerns about the detrimental impact of excessive working hours on employees, stating, of standard 70-80 hour weeks worked by chefs in other establishments, ‘You can’t sustain that, we don’t do that. … Conditions of employment are more important’. By contrast, in other enterprises it was expected that chefs regularly worked significantly longer hours on a weekly basis.
15.2.4 Wage-setting practices: the position of employees on award classifications

Throughout the course of the study there appeared to be little change in the practices used by employers to classify staff on award scales, and little evidence of staff moving between classifications. It was noted in Part 1 of the report that while most case study employers designated or appointed employees at levels on award classifications with reference to employees’ experience, qualifications, length of service, or other criteria set out in awards, there was evidence that other employers appointed staff on scales solely with reference to the rate attached to the classification. These practices led to some employees being incorrectly classified during all three phases of the research. In most cases these employers automatically assigned non-junior staff to the lowest level of the adult classification and there was no evidence of movement up the classifications for employees in these enterprises over the course of the research. This compared with other employers, who moved staff up classifications over time. A fast food franchisee, for example, employed a standard practice of placing all new staff on the lowest level of the award for a probationary period of three months. Following a favourable three-month performance review, most staff were moved up the classifications to the next level (level 2).

In other case study enterprises, there were only isolated examples of small numbers of individuals progressing up the classifications within enterprises during the research period. The exception was the community services sector, where employers reported significant movement of staff up the classification scale throughout the course of the research. This is a reflection of the relative depth of the classification and increment rates of pay in the community services awards, where there is much greater scope for employees to progress up the classifications on the basis of years of service. There was also more evidence of employer-supported training taking place in that sector, enabling advancement on the basis of achieving qualifications. In hospitality, retail and childcare enterprises, junior and trainee staff progressed up the scales as they became older, as did apprentices in hospitality and manufacturing enterprises as they completed each year of their apprenticeship. In only very rare cases did staff move up the classifications as a consequence of being promoted. They were primarily from the community services sector and large hospitality sites where some staff were promoted to supervisory positions.

Some movement to different points in classifications occurred due to staff transitioning to modern awards or due to organisational restructuring. The transition to modern awards led two retail sites to review (or to plan future reviews of) employee classifications due to the criteria for placement on equivalent classifications differing between the old award and the relevant modern award. These reviews led to (and were expected to lead to) the classification of a small number of staff up the scale. A wholesale re-classification of staff who engaged in sleepovers at client facilities also loomed for the disability services provider in July 2011 due to the transition to the modern award, which contained changed provisions relating to the scheduling and duration of shifts. This was anticipated to have a major impact on the organisation in terms of potentially requiring significant changes to how the organisation operated. In a final case, a community services enterprise merged with a larger organisation part-way through the research period. The new management team reviewed all employment conditions of staff including the classification level that each employee was assigned to. This resulted in some movement of staff in both directions (up and down) the scale.

15.2.5 Labour cost management

The containment of labour costs was considered by most employers to be the primary lever available to manage the overall costs to the business and, as was the case at the beginning of the study, the most common approach to containing labour costs was achieved through the refinement of rosters. However, the greatest shifts in labour cost management came from the transition to modern awards, where two retail sites and a disability services provider faced the need to review employee classifications due to changes in placement criteria. The transition to the modern award at one of the hospitality sites led to a wholesale re-classification of staff who engaged in sleepovers at client facilities. This was anticipated to have a major impact on the organisation, requiring significant changes to how it operated. In a final case, a community services enterprise merged during the research period, and the new management team reviewed all employment conditions, including classification levels, affecting staff. This resulted in some movement of staff in both directions within the classification scales.
costs were driven by the application of the minimum wages increase at most operations, retrenchments at two enterprises, and increased employment at another two enterprises. While not explicitly recognised by employers as labour cost savings, or representing evidence of changes to the labour bill, it did become increasingly apparent through the course of the study that a small number of employers appeared to be saving on labour costs through non-compliance with the relevant statutory employment standards.

The most common impact on the costs of labour came in the form of the minimum wages increase. At most sites with over award-reliant workers, wage increases paid to those employees coincided with and matched the minimum wages increase. However at sites with a system of individual review to set the level of overaward rates, increases to those overaward recipients were generally paid at some stage over the course of the study. The exceptions were at three enterprises. At two the employer decided not to give pay increases to over award-reliant staff (who were subject to individual merit reviews) in an attempt to contain labour costs. At the third no employees received pay increases as they were exempt from the 2010 wage decision.

There were some minor variations in labour costs at all sites. They were caused by: employers adjusting staffing levels up and down to deal with peaks in trade and demand; costs associated with turnover of staff, covering staff on leave employees attaining higher steps in the classification or grade scale; recruitment of lower paid employees to replace former staff; increases in over award rates paid to individuals; and to a much lesser extent, movement of existing employees into different categories of employment and promotions. Labour cost benchmarks continued to be adhered to at the enterprises that used them, with some fluctuation in labour cost ratios at the introduction of the minimum wages increase but universally settling back to previous levels after a period.

There was a variety of patterns in labour cost movement that were discernible over the period of the study. In terms of the broad changes to labour costs, enterprises fell into three main categories: those where labour costs increased; those where they remained the same; and those where labour costs decreased. At any period in the study where an employer or owner/operator reported stable labour costs it is important to understand that this did not mean labour costs were static—rather that the movements in costs were either too small to be considered significant or that any rise in cost was offset by a labour saving, thereby balancing out the wages bill.

**Increased labour costs:**

- A large number of enterprises experienced increases in labour costs due to the minimum wages increase, followed by the stabilisation of costs from that point onward.

- Labour costs grew significantly at two enterprises over the course of the study due to increased employment. In the case of a community services organisation the minimum wages increase drove the wages bill up but this was soon dwarfed by the doubling in the number of staff at the site which was funded through a 60 per cent increase in revenue. At a manufacturing site which won new contracts, operators recruited additional management and processing staff as well as increasing the number of casual staff hours being worked. The combined effect of these increases in staffing and hours overshadowed the impact of the minimum wages increase on the labour bill.

- A micro enterprise did not pay the minimum wages increase but paid some marginal discretionary pay rises. Labour costs increased slightly but it appeared that rates of pay remained under the legal standard for the period of the study.
Enterprise Case Studies: Effects of minimum wage-setting at an enterprise level

- An enterprise in a sector with dramatic seasonal fluctuations saw the labour bill decrease despite application of the minimum wages increase due to a significant drop in staff.

However by the end of the study staffing numbers had built up again to original numbers and labour costs were greater than they had been at the commencement of the study.

**Stable labour costs:**

- A community services enterprise was exempt from the minimum wages increase and no increases were paid to any employee over the course of the study other than via increments through the grade scales.

- Two micro enterprises that belatedly paid the minimum wages increase offset the costs by hiring cheaper replacement staff, closing early when trade was slow, and refining rosters. One of the sites relied heavily upon salaried staff to work extended hours.

**Reduced labour costs:**

- Labour costs went down progressively over the course of the study at two enterprises as a result of job cuts at both, and the replacement of salaried managerial staff with lower paid employees at one.

15.2.6 Employee productivity

Employers were asked about changes in employee productivity levels at each stage of the study. However, as none of the employers in the study engaged in formal measurement of employee productivity, most were only able to provide impressionistic views of productivity, mainly in terms of how hard employees worked in relation to fluctuations in demand for products, services, or levels of patient/client care at particular enterprises. Whilst hospitality and manufacturing employers were reported as using multiskilling of staff to increase productivity in phase one of the research, there was no evidence of an increase in the multiskilling of staff over successive phases of the research.

Issues of productivity were most prominent in the manufacturing and retail enterprises in the study, where employer approaches towards improving productivity differed starkly. As noted in Part 1 of the report, in manufacturing enterprises productivity levels were largely determined by the substitution of labour with capital, the extent to which existing capital was used efficiently, and production flows. Retail employers managed productivity by observing employees as they worked and where employees' performance was deemed inadequate, by taking steps to increase employees' productivity through performance management processes, or, terminating their employment.

Among manufacturing enterprises throughout the course of the study productivity increased markedly at one site due to major investment in new plant. However employers in two other manufacturing enterprises reported a decrease in productivity in the second and third phases of the research due to orders declining and employees taking longer over tasks to 'stretch out' the available work. Employers at these sites noted that any further attempts at improving productivity could result in the quality of outputs declining. Successive periods of decline in orders had resulted in the reduction of the workforce at all three sites, resulting in higher levels of productivity among the remaining workforce. In the enterprise which had invested in major new plant, this had resulted in new staff being employed. As in the printing enterprise, it was believed that substitution of labour with capital would serve to reduce labour costs over the longer term. However in other manufacturing enterprises the use of
specialised plant required employees to maintain employee numbers. One employer described how this worked, and how it restricted their ability to reduce staffing numbers to improve productivity:

Over the years we have reduced our workforce, we’ve become better at doing some of the things so productivity over a prolonged period of time would have improved, and now we’re at a level that if went any lower we probably wouldn’t be able to operate. … let’s say you’re in a manufacturing unit and you have 10 specialised machines, then you probably can’t do without 10 people. So you get to a point where in order to operate you need somebody to do this. … You can’t reduce your welders by half. Or, I’m going to take out a quarter of a welder, you can’t do that. You can take out a quarter of eight people that do assembly because that’s nice easy mathematics.

While manufacturing employers tended to view productivity at an enterprise-wide level, linked to levels of production, retail employers described using strategies aimed at increasing productivity among individual workers, or reconfiguring the workforce to ‘manage out’ any workers deemed to be unproductive. All retail employers described weighing up the relative worth of each of their employees in terms of how productive they were. In the fast food franchise, this involved the owner working alongside staff and assessing how hard each employee worked. Over the research period unproductive (casual) employees were no longer given shifts and new staff were employed on a trial basis to assess their productive capability. By the final phase of the research, the business owner employed a core group of what he described as highly productive staff.

As mentioned in Part 1 of the report, poor financial performance at one retail site led to staff being driven to work harder by the owners. This resulted in increased levels of stress for staff, and possible job loss where the business owners judged that employees were not working productively. The owners noted that workers had filed several small workers’ compensation claims as a direct result of the extra pressure they were facing to perform tasks quickly and the advanced age of some employees.

In only one case (a retail enterprise) did enterprise owners make a link between minimum wages increases and adjustments in terms of employee productivity. As described in section 14.3 of this Part, the owners of this enterprise described offsetting increases in base rates by taking greater care to roster productive staff during hours that attracted penalty rates.

15.2.7 Strategies around the use of industrial instruments

While all 20 enterprises in the study were selected for inclusion in the research on the basis that an identifiable group of their employees were paid award rates, Part 1 of the report described how employers in some enterprises had also been party to certified agreements in the past, or had tried unsuccessfully to implement them, or were contemplating negotiating agreements in the future. In the first phase of the research, community services enterprises planned to negotiate certified agreements; and trade unions had pursued certified agreements in hospitality and manufacturing sites, but these had not come to fruition. One retail employer had unsuccessfully attempted to develop an agreement, as had a hospitality enterprise.

The hospitality enterprise had a certified agreement in place for trainees during the research period. In mid-2008 managers began the process of negotiating a certified agreement which would cover all employees in the enterprise. Their main motivation in doing so was to negotiate greater flexibility for part-time workers, in order to opt out of award requirements that these employees work to fixed rosters. Managers at the site got part way through the process of drawing up a proposed agreement, at significant cost to the enterprise, but decided not to progress the agreement further. One manager commented that they ‘put it in the too hard basket’ owing to the logistical demands of running information sessions and ballots for every employee across nine sites, and the cost involved in this process. On balance it was determined at the enterprise that the benefits of an agreement
were not great enough to warrant the effort required to make one. The flexibility they most wanted from any agreement was to enable flexible rostering of part-time employees.

Little movement towards certified agreements occurred over the course of the research. The views of two retail enterprise owners who had considered or unsuccessfully attempted to negotiate collective agreements remained constant over the research period. These employers felt that there was no benefit in pursuing a certified agreement given that employees were already on minimum award rates. These employers could perceive no financial advantage in negotiating an agreement with terms and conditions which are superior to the modern award, as required according to the Better Off Overall Test for assessing enterprise agreements made from 1 January 2010. At a hospitality site, a trade union continued efforts throughout 2010 to set up representative structures and sign up members where it had unsuccessfully attempted to bargain an enterprise agreement in the past. However it had not negotiated an agreement by the November 2010 research phase.

The future negotiation or extension of enterprise agreements was flagged by employers in three enterprises, with the circumstances in each highlighting a range of motivations for employers to consider alternative industrial arrangements:

- A community services enterprise was one of the few remaining award-reliant enterprises in its sub-sector, within the state jurisdiction, when selected for study in early 2010. A merger with an organisation which had a collective agreement in place led to the new management team seeking advice regarding whether the agreement may be extended to employees at the case study site as part of the amalgamation process.

- A second community services enterprise planned to begin negotiation of a certified agreement during 2011. The impetus for an enterprise agreement did not stem from union pressure, with managers noting that union membership levels in the enterprise were low. The key motivation for managers to negotiate an agreement related to pressures around competition for staff from industry competitors, most of whom had enterprise agreements in place. An enterprise agreement would allow the enterprise to include terms and conditions which equalled those offered by competitors. But it was also felt that the current approach of offering significant overaward conditions to individual job applicants was deficient, as potential employees found it difficult to discern the nature of the overaward conditions offered. It was felt that an agreement would provide greater clarity to employees. A manager described the current arrangements as a ‘band aid approach’, contrasting this with the potential for a more strategic wages strategy to be implemented through the medium of an enterprise agreement, stating:

  … if we have an agreement it’s actually very clear what we offer and how that directly relates to what others are offering, and I think it will allow us to have a wages strategy within that that will take us through for the longer-term.

- A retail franchisee noted that a certified agreement was in the process of being developed by the franchisor organisation. Once the agreement had been certified by Fair Work Australia, the franchisee planned to read it and decide whether or not to apply it within the enterprise on the basis of whether or not employees at the site would be disadvantaged by transitioning to the new agreement.
16 Employee experiences

Section 4 of Part 1 of the report outlines in some detail the baseline experiences of employees in the study and the issues relating to work that they considered important. Part 2 examines the extent to which employment or household circumstances changed for employees between the subsequent phases of the study. This section summarises how their experiences and the issues they considered important evolved over the course of the study, and the role the 2010 minimum wages increase may have had in shaping those factors.

16.1 Underlying issues of importance remained constant

The experience, aspirations and agency of employees continued to be contextualised by a set of factors that were identified in Part 1 of the report. These included the specific characteristics of employees (according to their stage in the lifecycle and labour market power), employment structures, supports and practices at the worksite, the extent to which employees’ earnings support their household, the time and capacity employees had to undertake work, and conditions in the local labour market. All of these factors continued to shape employee experiences and the way these factors impacted on individuals within the study remained stable. However, there were isolated examples of individual employees experiencing a shift in the balance of factors affecting their employment.

16.2 Different types of employees

Part 1 of the report categorised employees as belonging to five groups that were principally defined by their attachment to the labour market and the point they were at in the lifecycle. They were:

Full-time student employees: Young people studying full time, working as retail assistants, bar and gaming attendants and fast food workers.

Young non-vocational employees: Young generally unqualified people, working as retail assistants, bar and gaming attendants and fast food workers.

Young vocational employees: Young trade apprentices.

Prime and mature age non-vocational employees: Workers with limited labour market choices working as: manufacturing process workers, sales assistants, bar and gaming attendants, and administrative staff.

Prime and mature age vocational employees: Workers with varying degrees of labour market choices but with significant vocational attachment working as: community services workers, skilled trades people, fine-dining staff and chefs, and administrative staff.

Over the course of the study there was very little mobility between the groups, particularly for those employees who were of prime and mature age. As was expected, some graduating university students (full-time student employees) moved out of casual retail and hospitality jobs into fulltime employment in their chosen fields. There were also predictable increases in wages and status for apprentices nearing conclusion of their qualifications, soon to earn overaward rates on a trajectory to prime age vocational employment. These employees, coming to the end of their studies, were about to constitute a new group, Graduate vocational employees, distinguished from prime and mature age vocational employees by their point in the lifecycle as they generally continued to be dependents in their households. Apprentices in this group remained in the enterprise while graduating

---

51 See Sections 4.2 –4.7 in Part 1.
university students moved out of their casual jobs at the study sites into industries where they utilised their tertiary qualifications. There was very little mobility between non-vocational groups and vocational groups other than for full-time students, reinforcing the view commonly held by young, prime and mature age non-vocational employees that they had limited prospects in terms of mobility and career development. The only evidence across the study of internal promotion was from within the vocational employee groups, confirming that there was greater internal advancement for vocational employees than for non-vocational employees in the study.

Vulnerable employees\(^{52}\) were evident across each group although the most acute examples of vulnerability were experienced by non-vocational workers. The circumstances of some of those employees changed over the course of the study. Improvements were experienced by some. An employee was able to leave a sub-standard second job by taking permanent full time work at the enterprise case study, and the work environment for employees at a community services site-improved markedly with a change in management. Others had their circumstances worsened due to factors external to the workplace. However, in the majority of cases vulnerable employees continued to feel the same powerlessness to change their circumstances. The anxiety this led to was particularly acute for employees who felt they were being paid or treated unfairly by their employer while believing they had no other labour market options.

16.3 Key changes experienced over the course of the study by employees

As has been outlined in the second report produced for this study, the changes experienced by most employees over the course of the study were slight. It was evident that the pressures and issues experienced by most employees in the first interviews continued to be present. Prime amongst these was the struggle to balance adequate and regular hours and security of employment with earning a fair and equitable wage which was commensurate with their living requirements.

The minimum wages increase affected most employees in the study by increasing their hourly rate of pay. However, this appeared in an immediate sense to have only a limited impact on critical factors that employees considered important to their employment. They welcomed the increase, but did not see it as transforming their circumstances. For those in the study who struggled to meet the cost of living, it provided some assistance (especially given the period that had elapsed since the previous increase), but did not take away the key pressures they faced regarding work. Equally there was no evidence that the minimum wages increase and its impact on the enterprise made those pressures any greater or lesser.

By returning to the key issues faced by employees in the first interviews, as outlined in Part 1 of the report, it is possible to see how little they changed over the following nine months. It is also evident that where circumstances and experiences changed, with the exception of increases to wage rates, they had no discernible connection with the minimum wages increase, either directly or indirectly.

16.3.1 Earnings\(^{53}\)

The adequacy of earnings to cover the cost of living continued to be a tension for many employees in the study who were earning low wages. A handful of participants experienced changes to their household structures which affected the earnings they needed but there was no evidence that locational factors, the state of the local labour market or the cost of living in those locations, changed to any degree. There were a very small number of individuals for whom this pressure was eased significantly by extra earnings from promotion, elevation up the

---

\(^{52}\) Vulnerable employees are defined in section 8.3 of Part 2 as employees who felt a lack of confidence that they could find alternative employment and who were characterised by at least one of the following attributes: mature aged, very young, women with caring responsibilities, and/or migrant to Australia.

\(^{53}\) See section 4.8 of Part 1.
pay scale, or increased paid hours of work. For the most part the minimum wages increase, which was the most common change to employee earnings across the course of the study, was seen as allowing employees to go some way to maintaining the status quo in terms of meeting costs, rather than assisting them to get ahead financially.

16.3.2 Structures and patterns of employment

Tensions arising from trying to attain a balance between earnings, hours of work, and security of employment continued to be a feature of employee experiences across the study, particularly for those in casual and part-time employment. Overall, issues associated with hours of work tended to be based on increases rather than decreases in hours for individual employees. These increases occurred during peak periods of trade and production. Increased hours of work were welcomed by some employees (casuals and part-timers looking for longer hours to enhance their earnings), but were less welcome among permanent workers in community services and manufacturing—unless accompanied by overtime payments—and salaried employees for whom extended hours tended to be unpaid. No participants identified changes to penalty rates (as a result of the transition to modern awards) as a factor that noticeably influenced their earnings.

There were changes in the hours that some casual and part-time employees worked, but on balance earnings continued to be based on the same or similar roster patterns over the course of the study for the majority of employees. Changes to rosters generally resulted in increased earnings due to working more hours and were generated by increased trade at the enterprise or gaining more hours when the hours worked by exiting employees were distributed to those that remained. There was a notable improvement for some casual workers in being able to meet their costs of living due to the increase in their hours. A number of other casuals who had complained of underemployment were no longer employed at the case study enterprises at the conclusion of the study, most of them having left prior to the 2010 minimum wages increase. It is not known whether they found alternative work with hours more in keeping with their needs.

In one case, roster changes led to a drop in earnings that was of concern to the employee. This was due to a cyclical roster change, and resulted in a corresponding increase in earnings for other employees at the site. In another case, an employee who was under considerable pressure as a sole breadwinner was rostered fewer hours but was nevertheless pleased to be working reduced hours because they were secure, stable and paid at the correct rate.

Overaward recipients and community services workers who were working extended hours continued to complain of the difficulties this created for them in their lives. In some cases the unpaid hours grew over the course of the study, particularly at sites where there were peaks in workload and where there were absences amongst managers and other key staff. At different times in the study a handful of casual employees also had their hours increased to levels that were making their other responsibilities difficult to manage. However, it was also evident that those employees were acutely aware that their hours were not guaranteed and that, in the words of one casual worker, it was important to ‘make hay while the sun shines’. Two overaward recipients working very long hours received no pay increase over the course of the study. One of these employees, who was earning a relatively high annual salary, consistently expressed concerns about the number of hours being worked and the impact this had on their capacity to start a family, while the other, earning a more modest weekly wage, was aggrieved that he was not being paid appropriately.

---

54 See Section 4.9 of Part 1.
55 There had been a change in management at this site. It became apparent to employees that the previous employer had been in some cases underpaying base rates as well as shift penalties.
There was very little movement between different categories of employment for employee participants. A manufacturing employee who moved from casual work to a permanent full-time job and a full-time casual in a retail operation who became permanent were the only exceptions. In both instances the transition to permanency appeared to be as a result of employers rewarding the individuals rather than as a process of progression commonly experienced at the enterprise and available as a matter of policy to other long-serving casual employees. The change was welcomed by the employees and provided the workers with much greater job security, which was of particular importance for the manufacturing worker because there had been an addition to the household. While he lost his casual loading, reducing his hourly rate, the move to full-time hours increased his weekly pay. The retail employee experienced a reduction in earnings but felt it was offset by access to leave and termination notice, neither of which they enjoyed as a casual employee.

16.3.3 Promotion and progression

One participant was formally promoted during the course of the study. This occurred in one of the community services enterprises where opportunities for advancement were generally superior to enterprises in the other industries of interest given the overall growth in community services employment, the deeper classification structures, the greater evidence of training and development taking place at site level, and the larger size of the enterprises. Community services enterprises were the only enterprises in which employees other than apprentices, trainees and juniors increased earnings by incrementing up the grades within their classifications. There was information from some employees at sites in other sectors that they were given greater work responsibilities but that they did not get promoted through the classifications on the basis of those new duties.

The belief expressed by employees in the first round of interviews that longevity in casual and part-time jobs was generally a better guarantee of achieving hours preferences than changing jobs in the retail and hospitality sectors appeared to hold true. As already described, casuals seeking more hours at the commencement of the study tended to be working more hours by the conclusion of the study. While this was ultimately possible due to cyclical increases in trade and staff turnover, new employees who joined the study in subsequent research phases were more likely to consider themselves underemployed than their longer serving counterparts.

16.3.4 Wage rates, work value and job satisfaction

Throughout the study manufacturing and community services workers in particular continued to question the fairness of their rates of pay. The minimum wages increase did nothing to diminish the conviction of those manufacturing employees who maintained that their low rates of pay made it hard to meet their costs; or the strong sentiment expressed by community services workers that the value of their work was not reflected in their relatively low base rates of pay.

Employees at two enterprises experienced great improvements in job satisfaction over the course of the study due to changes in local management, reinforcing the views expressed in the first phase of interviews that positive relationships with employers was an important element of job satisfaction. As well as having improved relationships with local supervisors, employees attributed the improvements to better management of human resources issues, increased compliance with employment standards, and stable rostering. In the case of employees from a community services organisation, they believed that structural changes at the site had allowed them to perform their work to a higher standard which contributed significantly to their job satisfaction.

---

56 See Section 4.12 in Part 1.
57 See section 4.10 in Part 1.
16.3.5 Wage-setting and employee agency\textsuperscript{58}

Over the course of the study it became increasingly clear that some employees had concerns regarding the legal status of their pay.\textsuperscript{59} Several employees were uncertain as to whether they were appropriately classified but faced difficulties in taking these issues up with their employers. This apprehension about asking direct questions about wages matters was evident at sites where employees claimed to have very good relationships with their employers as well as at sites where relationships were more strained.

As described in Part 1 of the report the majority of employees had very limited understanding of how wages matters were dealt with legally. Most minimum wage earners were unaware of the origin of the minimum wages increase, with those that had some knowledge suggesting that the decision had been made ‘by the government’ somehow, beyond the workplace. However, their knowledge tended to be restricted to the difference it made in their weekly earnings or hourly rate. There was little evidence that this understanding grew over the course of the study, with the exception of those employees with concerns about their legal entitlements who undertook their own research efforts.

Overaward wage earners appeared to occupy varying positions of bargaining power when it came to individual wage negotiations. Chefs were generally confident that they were able to secure adequate wage increases as long as their enterprise continued to be financially viable. Other salaried staff and employees receiving modest overaward payments believed their increases were purely determined by managerial discretion and did not see themselves as having any control over their wage rates. In most cases in the study this resulted in overaward wage earners receiving wage increases in line with the minimum wages increase. But where this did not happen, it led to employees questioning equity between employees at the enterprise level and unresolved questions regarding compliance with legal employment standards.

\textsuperscript{58} See section 4.11 in Part 1.
\textsuperscript{59} Some participants were inclined to divulge more sensitive information about their employment in later interviews as their trust in the researchers grew. However, it may also be the case that the presence of researchers at these sites asking questions about employment may have given them the impetus to further investigate their entitlements.
17 The impact of the 2010 minimum wages increase

The following section turns to answering the research questions that have guided the study:

- How do minimum wage decisions impact on enterprises, their business performance, and their employees?
- Do minimum wage decisions have differential impacts according to the specific characteristics of minimum wage enterprises (such as industry sector, business size and location)?
- What, if any, changes are made at the enterprise level in response to minimum wage decisions?
- What is the nature of other factors working in tandem with minimum wage adjustments to trigger changes to business strategies and labour use practices?

In doing so, the section begins by explicitly examining the relationship between the July 2010 minimum wages increase and adjustments made at the enterprise level over the course of the study while also assessing the drivers and triggers for adjustments. It then recounts the views expressed by employers over the course of the study regarding the minimum wages increase, and describes how those views have evolved. Finally, it looks at the limited evidence of differential impacts of the minimum wages increase as a consequence of enterprise size, location and industry sector, before moving into the report’s conclusion.

17.1 The relationship between adjustments and minimum wages increases

This section outlines the range of adjustments made at operations over the course of the study and, based on the information provided by employers, assesses whether, if at all, those changes are linked to the minimum wages increase.

As noted earlier, ‘adjustments’, in the context of this research, refer to changes made at the enterprise level with the explicit aim of realigning enterprises with operating targets and/or aims. For the most part they are changes that are made in response to some kind of pressure. In this section the focus is on establishing the triggers and drivers that have generated adjustments.

Section 14 of this Part provided an overview of the various adjustment strategies that were implemented by enterprises in each industry sector in response to changes and pressures in their operating context, or were used on a regular basis by managers and owners as a matter of standard operating practice. Section 15.2 outlined a number of adjustments made to labour management practices with the principal aim of reducing labour costs. This section highlights the relatively minimal extent to which adjustment strategies that became evident over the course of the study were utilised in response to, or anticipation of, the minimum wages increase.

Employers, when interviewed at the commencement of the study, anticipated that if they were to make adjustments in response to the July 2010 minimum wages increase, these would be based upon similar adjustment strategies that they had employed in the past. In the main, this had involved reducing labour costs. Employers anticipated utilising adjustment strategies such as reducing the number of paid employee hours in the operation; reallocating work hours between employees in different categories of employment (for example replacing adult employees with juniors, or casual workers with permanents and vice versa); and minimising those aspects of wages that attach to base rates, such as penalty and allowance payments. These are the same cost-saving strategies employers identified for ongoing management of the wages bill. No employers anticipated shedding jobs as a likely outcome from the minimum wages increase.
Other non-labour adjustment strategies that a minority of employers anticipated they might use to offset a wages increase included increasing the prices of goods sold, increasing the volume of sales (in some cases through marketing promotions), reducing operating hours, and finding efficiencies in economies of scale. Again, these are the same strategies employers used for effective and efficient ongoing management of their operations.

It appears that employers drew on a ‘toolbox’ of commonly-used strategies to manage the flow of operations and to improve the business. The type of adjustments made at the enterprise level had any number of immediate triggers or drivers, according to employers. To identify the role played by the minimum wages increase in the context of these drivers, employers were questioned closely on the reasons for any changes they made to operations and the impetus for those changes, and then asked directly whether the minimum wages increase had played any part in their decision to implement adjustments. This included follow up inquiries about whether the adjustments that were made would have taken place had there been no minimum wages increase.

By November 2010, the 1 July minimum wages increase had been applied to minimum wage-reliant employees in all but two of the enterprise case study sites: a Division 2B award site in the community services sector with no legal requirement to pay an increase and a retail site that had failed to comply with the increase. It is worth noting that the latter enterprise undertook a similar program of seeking efficiencies and adjustments as other (minimum wage compliant) enterprises over the course of the study. So while there was no impact from the minimum wages increase in this case, there was a discernible program of adjustments to operations in an effort to enhance the resilience of the business.

The remaining enterprises—in which employers had applied the minimum wages increase—fell into one of the following three groups:

- sites where no adjustments were made in response to the minimum wages increase;
- sites where adjustments were made, partially in response to the minimum wages increase; and
- sites where adjustments were made in direct response to the minimum wages increase.

Each of these groups included an even mix of enterprises from across all four sectors and enterprise sizes. The nature of adjustments made and the role that the minimum wages increase played in triggering or driving those adjustments are described below.

### 17.1.1 Enterprises where no adjustments were made in response to the minimum wages increase

No adjustments to operations had been made as a result of the minimum wages increase in six enterprises. This was because:

- No increase had occurred in the enterprise’s total wages bill following the minimum wages increase, and thus no adjustment was required to offset a potential increase. For a specialist retailer, the minimum wages increase was applied to staff at the same time as a planned shop closure, leading to a small but commensurate reduction in staff hours, which meant that labour costs remained at the same level as prior to the July 2010 minimum wages increase. In addition the operation also ceased paying rent on the second property.60

60 The closure of the shop front was part of a planned transfer from one site to another. For a period commencing prior to the study the owner/operator was carrying the cost of two properties. The decision to move sites was triggered by increasing rental costs and a loss of foot traffic at the original site. The genesis of this change was unrelated to labour costs.
• In two community services organisations, increased wages costs stemming from the minimum wages increase had been anticipated and budgeted for (in terms of being factored into service provision costs) ahead of the increase—again requiring no changes to be made to offset the increase in labour cost; and

• In three cases, enterprises were operating in a profitable trading environment, providing them with the capacity to ‘absorb’ the cost increase. In one, a small manufacturing enterprise, the minimum wages increase had resulted in a negligible increase in wages costs which was easily absorbed. In two registered clubs where labour costs were tightly monitored to ensure that labour cost to revenue ratios did not rise above a benchmark level, managers did not make specific adjustments to accommodate the July 2010 increase. In one such club, a manager noted that the high levels of profit generated over the 2010 calendar year had relaxed the need to reduce operational costs in response to wage increases. He explained:

… if the club was struggling, if the club was trading slow or quietly, I think we’d be probably more inclined to be looking at different ways of cutting down those costs. But at this point in time, the way the club’s travelling, there’s been no need to go back and cut the costs in that area.

Interviewer: So if you were doing badly?

Employer: We’d be looking at wages straight away.

In a second club, labour costs had been pared back over time prior to the minimum wages increase, in keeping with managers’ standard policy of maintaining labour costs at a benchmark level (27 per cent of revenue). A manager explained:

What I did as of January (2010) was I reduced enough of it to drop… I’ve probably dropped the weekly wage(s bill) down by about $7,000-$8,000 (per week), just from managing it properly. So now with the (minimum wages) increase, I’m still under what I was back probably about November (2009). …I wasn’t really technically planning for the July (2010 minimum wages) increase. I was just doing it because it was 27 per cent on your revenue, so that’s why. …I didn’t plan for the increase. But I knew it was coming, so I was hoping that the increase would still be absorbed to the point where it’s not as high as what the wages used to be, going back 12 months ago.

17.1.2 Enterprises where adjustments were made, partially in response to the minimum wages increase

In a second group of eight enterprises, operators had anticipated ahead of the minimum wages increase that a range of adjustments would be made in response to the increase, and these adjustments were made in the period following the minimum wages increase. However it became clear that, according to employers, these changes were not made exclusively as a result of the minimum wages increase. Most employers in this group asserted that these adjustments would have been made even if no minimum wages increase had occurred or that the minimum wages increase was not the main reason for the changes.

In most of these enterprises, adjustments made were as a result of ‘business-as-usual’ practices aimed at improving efficiencies and reducing costs wherever possible, as part of everyday management practice. Examples included a franchisee retailer who had anticipated offsetting increased labour costs stemming from the minimum wages increase by reducing wastage costs and making staff work harder. This employer had implemented each of these strategies incrementally throughout the course of the research by applying wastage policies and adhering to wastage metrics set by the franchisor; and by reducing numbers of non-productive staff through attrition and replacement with ‘more productive’ staff. When the operator implemented these strategies and reflected upon them he regarded them as practices that were essential to the efficient running of the business, rather than as
adjustments necessary due to the minimum wages increase. Certainly, he instigated most of the changes well in advance of the minimum wages increase and was continuing to fine-tune them at the end of the study.

Other examples included a community services organisation which undertook regular six-monthly reviews to highlight areas of (non-labour) cost reduction and maximise funding sources in order to offset increases in wages and other operational costs. The chief strategies used by this enterprise to offset incremental increases in labour and other costs included tight rostering and utilising the economies of scale and efficiencies resulting from the enterprise’s ‘umbrella structure’ (administration, compliance management, and information technology) that serviced a number of sites.

Following the minimum wages increase, managers at a third (manufacturing) site had minimised labour on-costs by reducing their workers’ compensation premium and had reduced building insurance costs. Whilst initially describing these initiatives as strategies for offsetting minimum wages increases, a manager went on to emphasise that these adjustments were employed by managers at the enterprise as a matter of course, rather than as a specific response to the minimum wages increase. He also noted that the minimum wages increase had not resulted in workload intensification:

I mean, whenever the opportunity arises to reduce those costs you take them anyway. I think because the guys got a small increase, I don’t necessarily think we worked any harder, you know, because we’re working pretty hard all the time.

Interviewer: If there hadn’t been a minimum wages increase, would you have made these changes?

Employer: Probably, yes, otherwise we wouldn’t have been doing what we should be doing. We’re looking at all avenues where we can reduce costs, yeah. Because our job is to make a profit.

A hospitality enterprise was the site of a number of adjustment strategies which were instituted in the four-month period following the minimum wages increase. They included: reviewing and increasing the prices of meals and drinks; careful rostering to bring the labour cost to sales ratio down to the desired (benchmarked) level following an initial rise in labour costs after the minimum wages increase; honing promotions to match changing consumer spending patterns; and reviewing relationships with suppliers to assess where savings may be made in the cost of meal ingredients and beverages. However, once again managers asserted that these changes would have been made regardless of whether the minimum wages increase had occurred, as part of their strategy of ‘tracking’ costs and pricing on a constant basis. Enterprise managers emphasised that other external factors were of greater magnitude in driving these ongoing ‘tracking’ and adjustment strategies. In particular, rising interest rates affected the enterprise’s ability to service debts occurring from the purchase of sites, as well as reducing the discretionary spending of customers in the local area due to increases in mortgage rates. A manager explained:

Other things that are affecting (the enterprise) are the interest rate increase that’s just come through. Like that’s a massive, massive impact to the company. even half or quarter of a per cent is something substantial. you’ve got the loans to the businesses that we’ve got and the increases might be equal to the wages (paid to staff at one venue) for the year.

Interviewer: So you can get a half per cent or a quarter per cent bump in interest rates, and the impact of that in terms of your loans would outweigh the minimum wages increase?

Employer: I would say.
In three other enterprises, adjustment strategies occurred after the minimum wages increase but were primarily instituted by employers in response to pressures stemming from the enterprises’ operating environments. A hospitality employer sought to reduce wage costs by no longer employing permanent staff, enabling him to reduce the overall staffing hours among his now wholly casual (non-supervisory) workforce. But he also noted that the ‘poor quality’ of staff able to be recruited was the primary driver of the decision to employ a wholly casual workforce:

Interviewer: Do you think you would have shifted people to casual employment and cut their hours if the base hourly rate hadn’t gone up as a result of the minimum wages increase?

Employer: That’s an unknown I suppose because part of it was that (the minimum wages increase), but most likely the biggest part is that we haven’t been able to find someone who is good enough to be able to be put on as permanent.

A second hospitality employer had reduced wage costs in the business progressively over the course of the study by reducing overall staffing numbers and increasing the hours worked in the business by the owners. However these changes were made as part of the enterprise’s continuing response to a long-term decline in trading conditions rather than as a consequence of the increase in wages stemming from the minimum wages decision. In the following exchange with a researcher, the business owner highlighted rising interest rates as a key pressure on the business that was of much greater magnitude than the minimum wages increase.

Interviewer: And what about the impact of the minimum wages increase, was that part of the impetus around you changing the way you were (managing labour)?

Employer: Not really, it’s more just recognising and being realistic about what was happening with our business. And recognising that the economy, it doesn’t matter what they say, it’s not going anywhere, people aren’t spending like they used to spend. … I mean things like the rate increase, I don’t understand how they justified the latest rate increase.

A final case—a childcare centre—introduced an increase in parent fees which coincided with the first pay period following the minimum wages increase. The owner of the business described how this increase would have occurred regardless of whether a minimum wages increase had taken place, in order to offset staffing and other costs which were due to increase following the implementation of the National Quality Framework. The centre’s owner had calculated that implementation of the Framework over a period of several years would lead to a total increase in fees of around $33 per day, per child, and so had decided raise fees by incremental amounts (typically $5) every six months.

17.1.3 Enterprises where adjustments had been made as a direct result of the minimum wages increase

A third group of four enterprises had made adjustments to operations which business owners stated were made in direct response to rising wage costs stemming from the minimum wages increase. Two manufacturers (producing printed goods and clothing) had increased the price of goods sold to customers as a means of offsetting increased wages costs. In both cases, business owners described how they had only limited scope to reduce operating costs to offset minimum wages increases as production was already running as efficiently as possible. Both were attempting to save costs within the business wherever they were able. Examples they gave included reducing utilities costs by negligible amounts through limiting use of air conditioning to certain hours of the day and negotiating a marginally cheaper subscription rate with internet providers. The owners of the printing business stated that they would not have increased prices if there had not been a minimum wages
increase; however they had also been attempting to reduce operating costs consistently throughout the research period in response to declining revenue.

The picture in the clothing manufacturing operation was more complex. Whilst the minimum wage had caused them to increase the price of the goods they sold, reduced demand for the company’s product in the midst of a poor trading environment was compelling the owners to engage in more radical adjustment strategies such as reducing the workforce, and in the near future, locating production offshore. The clothing manufacturer described how, as he had anticipated in March 2010, increases in the costs of producing their goods had caused potential buyers to seek cheaper products from alternative providers:

The proportion of labour to the cost of our goods is very high. So any change in the labour rate would need to be reflected in pricing, which in turn dampens demand for our product.

Interviewer: And has that happened?

Employer: Yeah, yeah, yeah, it has happened, because a couple of them (potential buyers) have come back and said ‘Too expensive, you keep going up, what’s going on?’, and it’s just the basis of them looking for alternatives. So you force them to look for alternatives.

Whilst an immediate increase in prices was identified as a direct result of the 2010 minimum wages increase, it had only a minimal bearing on the longer term decision of the owner to eventually base elements of production offshore. Even if a minimum wages increase had not occurred, he anticipated that his business would be facing the same degree of pressure as a direct consequence of the poor trading environment. He expected that retail sales of the enterprise’s product would remain flat for at least the following year in the face of mounting competition from cheaper, high quality goods produced by overseas manufacturers. The owner explained:

... the reality is that products coming from offshore are getting better, the quality in our niche of the market is getting better. Regardless of whether the wages go up by two per cent or five per cent or whatever, you’re still going to have the pressure from overseas. So I would argue that the minimum wage pressure is, sure you’re putting your prices up, but the differential between importing and making locally is huge anyway.

Interviewer: So the labour gap between overseas and local far exceeds the (impact of) the minimum wages increase?

Employer: Yeah. Some people blame increasing wages, yeah it’s a problem, it’s a very, very costly thing to address, but the reality is that that massive gap, it’s just getting a bit bigger each year too.

In order to offset the increased cost of wages stemming from the minimum wages decision a hospitality employer reported making efforts to reduce the cost of producing meals by negotiating reductions in the cost of meal ingredients with suppliers, buying specials (seasonal produce at lower prices), and reducing portion sizes.

In the final case of a retailer, the increase in minimum base hourly rates and the multiplier effect this had (in increasing the hourly rates of casual workers paid penalty rates) resulted in the owners taking greater care, when rostering staff, to weigh up the relative ‘value’ of individual employees (in terms of their productive capacity) vis a vis their ‘cost’ per hour. The owners of the business described how the minimum wages increase had influenced the labour management strategies used in the enterprise in terms of rostering staff and reducing paid hours of work:

You’ve got to balance your cost against your productivity … like with [employee], yeah he’s big money, he’s nearly $31.00 (per hour) on a Sunday. ... We think more closely about people we’re going to hire or not and who we’re getting on various shifts. We work much harder at productivity.
Most employers, when interviewed in March 2010, anticipated that they would use adjustment strategies involving the reduction of labour costs to offset increases in labour costs stemming from a minimum wages increase. However only one in employer in the study – the retailer profiled above – implemented labour cost adjustment strategies as a specific response to the minimum wages increase. Where employers drew links between labour adjustments made and the minimum wages increase, on closer reflection most explained that the relative influence of the minimum wages increase in driving adjustments was minor when compared with other factors. In other cases in the study, specific responses to a minimum wages increase involved adjusting the price of goods sold upwards and reducing non-labour costs of producing goods.

Given these findings it appears that the minimum wages increase was regarded as a lesser factor in the range of cost pressures upon the enterprise, and that most adjustments that took place over the course of the study were not in direct response to the minimum wages increase. However the minimum wages increase did, in some cases, appear to trigger an increased effort by enterprise operators to find efficiencies in those businesses.

### 17.2 Employer views on the impact of the minimum wages increase

Part 1 of the report described how minimum wages increases in general were viewed by the majority of case study employers as not having a pronounced impact on, or as constituting a significant pressure on, enterprise performance. Minimum wages increases were primarily regarded as one relatively minor pressure on the enterprise among others of much greater magnitude. These views were conveyed consistently by the majority of employers throughout all three phases of the research: both prior to the minimum wages increase, at the time of the July 2010 increase, and again four months after the increase was implemented. The small number of employers who anticipated a significant impact upon business performance due to the minimum wages increase tended to operate retail and hospitality enterprises. They felt that the impact of the increase would depend upon the size of the increase and the state of their business at the time of the minimum wages decision. By the conclusion of the study all but one of those employers expressed the view that the impact of the minimum wages increase had been only slight and this was reflected in nature of any adjustments that were made. The minimum wages increase was not seen by these employers as a pressure on the business, particularly relative to more pronounced pressures such as interest rate rises and reduced consumer spending. A retailer and a hospitality employer in this group did however describe adjustment strategies they had adopted in direct response to the minimum wages increase (more targeted rostering of productive staff, and reducing meal costs).

In only one case did an employer consistently over the course of the study maintain that the minimum wages increase had a significant impact on the business, albeit in conjunction with other factors. This retailer characterised that pressure in terms of the personal impact on owner/operators and the risks associated with running a business. He described how minimum wages increases constituted one of the elements reducing already diminished profit levels, and how under those circumstances he could see the economic sense of an owner-operator seeking paid employment rather than work long hours in a struggling business. He explained:

> If you are only making $250,000 a year profit and there’s two of you (owners) putting the hours in, you can do that on a wage (working for someone else). That’s where the minimum rates and all this sort of stuff, it all adds to it. It’s not the be all and end all, but it just tips the scale further.

In contrast a hospitality employer whose revenue had been relatively unaffected by reduced consumer spending over the research period said of the minimum wages increase, ‘I think that the wage increase hadn’t happened for such a long time. It definitely needed to happen. There’s no denying that’.
Most employers were of the view that increases to base rates stemming from the minimum wages increase had limited or no impact on business performance or business decisions. The consensus opinion among employers was that minimum wages increases had significantly less impact on business performance—in terms of increasing labour and total costs, and reducing profit margins—than other factors or pressures such as the trading environment, organisational restructures, increases to interest rates and competition from foreign producers. This view was frequently accompanied by the sentiment that the July 2010 minimum wages increase was necessary for low paid workers experiencing rising living costs. Part 1 of the report describes how employers in manufacturing enterprises were strongly supportive of minimum wages increases, despite operating in difficult trading environments, on the basis that employees were entitled to earn a living wage. These views remained constant throughout the research period.

Despite operating in a tightly constrained funding environment, most community services employers were equally supportive of minimum wages increases on the basis that employees in the sector found it difficult to live on their low wages and their work was undervalued. However, such views in favour of minimum wages increases were often predicated on the enterprise’s ability to pay wages increases in an insecure funding environment. One community services employer stated that the organisation’s support for the July 2010 minimum wages increase was contingent on their funding body increasing funding to a level that matched the minimum wages increase. The employer explained, ‘the biggest thing for us is we support the wage increase as long as our funder increased … we were assured by our funding body that they would cover those increases.’

Employers across a range of sectors voiced views in support of the July 2010 minimum wages increase on the basis that employees were experiencing increasing living costs. A sample of views is profiled below:

The way everything is, prices have gone up, they probably needed the wage rise to survive, for workers. But you just have to pass it on … Woolworths and petrol is up, everything is up. … Well I can’t do all the work that we bring in, so you need the staff. The wage rise, I agree with it, because of the way the costs have gone up. [Manufacturing employer]

… his [the average worker’s] costs have probably gone up by more than $26 a week over two years and they’re going to go up a lot more. It’s helped them not to fall so far so far behind. … things are getting more expensive, if they hadn’t had a rise at all it would have been worse. [Manufacturing employer]

At the end of the day, when there’s a minimum wages increase I don’t begrudge that, because you know, people who are working on the minimum wage are struggling out there, there’s no doubt. [Manufacturing employer]

‘We don’t mind. I don’t mind. … They [employees] deserve it. I can’t say no, you’ve got to pass it on. You get it back in sales. I don’t want to complain about $26. … Why complain, it’s a fixed thing that you can’t change, why complain about it? [Retail employer]

Everything else in the world is getting dearer and dearer and more expensive, so you just expect wages to go up to balance that out in some way. [Hospitality employer]

Consistent with the views of employers who applied minimum wages increases to overaward earners, a minority of employers expressed opinions that the minimum wages increase provided a convenient means of wage-setting. Some noted that in the absence of a regular minimum wages adjustment mechanism they would be compelled to develop alternative pay-setting practices. Despite expressing views in favour of minimum wages increases (and passing the full amount of the minimum wages increase on to the majority overaward workforce), business owners at one enterprise stated that they would not have paid a wage increase to staff in July 2010 if a minimum wages increase had not occurred. But they also reflected on the fact that if a mechanism for statutory
minimum wages increases did not exist, they would be required to establish an alternative annual mechanism, for example individual performance reviews, to administer pay increases. The owners noted that in this respect the annual minimum wages decision ‘probably saves us a job’, and agreed that the minimum wages apparatus provided an easy means of administering a pay increase. In a second case, employers reflected that in the absence of a minimum wages increase in July 2010, they would have applied a pay increase to all employees in the organisation regardless. In such cases the employer would then be required to use alternative means (such as CPI measures) as the basis for decision-making around the level of increase applied.

17.3 Differential impacts of the minimum wages decision

Minimum wage decisions were not found to have differential impacts, in terms of their extent and nature of impacts, as a consequence of enterprise size or geographical (metropolitan or regional) location. However the location of the enterprise with respect to industry sector did result in differential impacts on minimum wage-reliant enterprises. The extent of the impact of increases to minimum base rates appeared to be marginally greater for those hospitality and retail enterprises with extended (night and weekend) operating hours, who experienced a slight multiplier effect upon their wages bill from penalty rates and loadings calculated via increased base rates. It was also evident that the impact of the multiplier effect was nullified at a small number of these sites due to the failure to appropriately apply statutory employment entitlements such as casual and penalty loadings.

The inverse effect was evident in manufacturing enterprises which operated during ‘standard’ hours and whose workers were rarely subject to penalty payments and loadings (notwithstanding short periods of overtime work). Minimum wages decisions were deemed to have had only minimal impact on most community services employers in the study by virtue of the fact that non-profit community services employers budgeted for some level of increase in minimum wages when tendering for funding, or sought assurances from funders that they would increase funding to match (or partially offset) minimum wages increases.
18 Conclusions

The data profiled in this study provide rich insights into the operation of minimum wage-reliant enterprises and the impact of contextual factors—including minimum wages decisions—on the 20 case study enterprises and their employees. Overall, the 1 July 2010 minimum wages increase was found to have only a limited effect on enterprises and their business performance and was generally supported by employers. The consensus view among employee participants was that the increase had prevented them from falling further behind in terms of the cost of living, in a context of rising prices and living costs. This concluding section summarises these key findings.

18.1 The impact of the minimum wages increase at enterprise level

For most employers in these enterprises, wages costs were considered a key pressure. Much attention was directed to minimising these costs, given that they were one of few ‘controllable’ costs within enterprises. A variety of strategies were used to minimise or reduce wages bills by employers. Yet within this, minimum wages increases were said by most employers to have a relatively minimal impact on the case study enterprises and their business performance. Minimum wages increases were described as a minor pressure among a range of more significant pressures, the most prominent of which appeared to be instability and/or decline in revenue caused by the nature of the trading and funding environments.

In a context where impacts of the minimum wages increase were slight, there did appear to be some differentiation in impact based on the relative economic state of the enterprise at the time of the increase, and the relative proportion of total costs made up by labour costs. Unsurprisingly, those enterprises that were experiencing economic growth (due to robust trading and funding) absorbed the minimum wages impact with relative ease. This was clear in the views they expressed about the impact of the increase and was reflected in the lack of adjustments they made.

Enterprises where profits were neither growing nor declining displayed greater propensity to find offsetting efficiencies, albeit by using standard business-as-usual adjustments. In a small number of these cases in which employers expressed concern about the impact of the minimum wages increase, it became clear—as they reflected on the impetus for adjustments and the role played by the minimum wages increases within this—that the minimum wages increase was one of many drivers of adjustments.

At enterprises that were in decline, operators were working to offset other forces that rendered the impact of the minimum wages increase trivial in comparison. In all cases the enterprises that paid the minimum wages increase managed to do so without having to make significant direct adjustments. Even the employers who identified the minimum wages increase as the primary reason for adjustments made only relatively minor changes in response to the increase.

Those that made significant adjustments to operations throughout the course of the study primarily did so due to other greater pressures, and believed—as did a majority of employers in the study—that maintaining the minimum wage at a level that kept pace with the cost of living was critical for employees in their enterprises.

The relative impact of minimum wage decisions was arguably more muted in those low capacity enterprises where employers neglected to apply the increase, or belatedly applied the increase and/or had reduced labour costs by not adhering to a range of minimum employment standards. It appeared that non-compliance with minimum employment standards (inadvertent or intentional) may have reduced the pressure on those enterprises to seek other efficiencies to offset any rise in costs, including the minimum wages increase. In contrast, compliant employers who adhered to regulations may have thus carried a higher base of labour costs.
Examination of case study data indicated that employer practices, such as non-payment of unpaid work hours, or paying staff at lower rather than higher award classifications more appropriate to work undertaken by staff, appeared to have a more pronounced impact on labour costs in some enterprises than minimum wages increases. Whilst few employers engaged in direct strategies to avoid applying the minimum wages increase, others engaged in (non-compliant) practices which tended to minimise their wages bill.

Most adjustments made to reduce costs (and thus increase margins) were focused on labour management practices that had been in use prior to the minimum wages increase. The type or form of adjustment strategies utilised was influenced by employer capacity, attitudes and philosophy. Very few adjustments were made at the enterprise level exclusively in response to minimum wages decisions. In many enterprises, some adjustments were made around the time of the minimum wages increase, or directly following the increase. However employers indicated that these adjustments would have been made as a matter of course, or in response to changes in the operating environment, irrespective of whether a minimum wages increase had occurred. Features of the operating context of enterprises such as trading conditions, the funding environment, regulatory change and the costs of (non-labour) inputs all acted as the key drivers for adjustments. Decisions relating to the type of adjustments made—as well as the types of business strategies and employment practices used more broadly—were determined by the nature of the goods or services provided by the enterprise (and its sectoral location), and by employer capacity and attitudes.

In the few enterprises where employers made adjustments in direct response to the minimum wages increase, these took the form of raising the price of goods sold and cutting costs through tighter rostering and reductions in the costs of meal ingredients. Similar strategies were employed in most enterprises throughout the course of the research as a matter of ongoing management practice (including in the sites that adopted these strategies in direct response to the wages increase).

There was evidence that the minimum wages increase provided a welcome wage standard that employers could apply, saving them the effort of having to establish appropriate and fair rates themselves. This was echoed by employers with employees subject to overaward arrangements whose wages adjustments were linked to minimum wages decisions (in ten of the twenty case study sites). These employers appreciated the ease with which they were able to pass on minimum wages increases to overaward employees, thus maintaining internal pay equity, in the absence of other internal mechanisms for adjusting pay levels.

18.2 The impact of the minimum wages increase on employees

The direct impact of the 2010 minimum wages increase upon employees was to raise the base rate of pay for the majority of employees in the study. Those employees who received the increase had little knowledge of its origins, other than being from a ‘government’ source, and most regarded the increase as going some way to offsetting increases to the cost of living.

However, the fundamental pressures associated with employment more generally, and the pressures of earning low wages, continued unabated by the increase. While employees who expressed difficulties in meeting the cost of living did not see the minimum wages increase as removing those pressures it was seen as an important factor in preventing wages from falling further behind increases to the cost of living. In the words of one employee it was seen as ‘keeping our heads above the water, but the water is still rising’.
In addition, it appeared that many employees in the study relied solely on the minimum wages increase as a means of improving their earnings. There was limited evidence of other internal mechanisms (for example access to overtime and/or advancement) or likely external opportunities (labour market options) that were likely to improve their economic circumstances. This was starkly apparent among some mature aged non-vocational workers who had in some cases remained in the same jobs for up to fifty years. To this degree the minimum wages increase played a critical role in assisting employees to maintain their standard of living. However, there was also evidence that some employees were less likely than others to either enjoy the full benefits of the minimum wages increase or to receive the full measure of minimum employment standards to which they were entitled, reaffirming that issues of compliance are important in achieving that end. These employees tended to be younger or mature aged workers, part-time women workers, or those working in regional areas with limited job options.61

The impact of the minimum wages increase upon enterprises did not appear to change employee circumstances in any ways other than the increase to base rates. While there was evidence that adjustment in employment matters at the enterprise affected employees (some more than others, and in different ways depending upon their circumstances) there was no corresponding evidence, as outlined in this report, that these changes were generated by the minimum wages increase.

Where hours of work changed for participating employees, they generally increased over the course of the study. There was no evidence of employees in the study having their hours reduced to offset increases to their base rates of pay. Outside of retrenchment, recruitment of new employees appeared to provide the greatest opportunities for employers to use labour management strategies to reduce costs. However, the quality of those entry level jobs tended to replicate the state of the jobs longer-standing employees started in at those enterprises, suggesting that standard recruitment practices were likely to be driving those employment decisions to a greater degree than the impact of the minimum wages increase. Again, while there were overaward recipients who did not receive a wage increase over the course of the study it appeared those labour cost savings were impelled by downturns in business rather than the relatively benign impact of the minimum wages increase at those sites.

61 See sections 8.3 and 10.6 of Part 2, which detail the experiences of vulnerable workers in the study who sought to access their full range of entitlements.
Appendix 1 Research design

Identifying case study enterprises of interest

In order to investigate the research questions, it was determined that case study enterprises would be selected for inclusion in the study according to the following characteristics of interest:

- a significant number of employees on minimum wages, paid via award rates;
- industry;
- enterprise size; and
- location of workplace.

Employees subject to award rates

The enterprises of interest were those deemed to be award-reliant, in that they employed a sizeable proportion of employees on state or federal award pay rates.

The study limits the scope to award-reliant enterprises; consequently, the findings do not reflect the reality of all minimum wage workers, as many are on collective agreements (ref Evesson et. al. 2007).  

Industry (retail, hospitality, community services, manufacturing)

Research commissioned by the Australian Fair Pay Commission found that employers with a majority of low-paid employees were found to be more heavily concentrated in a small group of industry sectors. These included retail trade; construction; property and business services; accommodation, cafés and restaurants; and manufacturing.  

A decision was made to select cases from sectors in which the largest proportions of employees are paid the minimum wage: accommodation, cafes and restaurants; retail trade; community services; and (process) manufacturing. Minimum wage workers are over-represented in these sectors. Further, the retail and hospitality sectors are reliant on casual labour, and McGuinness et.al. (2006) identified that service sector employers with a heavy reliance on casual labour were more likely to have a majority of low-paid employees.

Selection of cases across these industries allows for coverage of workforces of varying age profiles and high proportions of women workers (retail, hospitality and community services), as well as at least one industry with higher proportions of male employees (process manufacturing). In addition, while retail, hospitality and manufacturing are subject to external pressures stemming from consumer spending, much of the community services sector is subject to pressures relating to reliance on government funding. These contrasts would enable researchers to assess whether employer strategies differed in light of differing operating contexts.

---


The value of the chosen research design—that of examining a group of case study enterprises from within each of four industry sectors—was that it allowed for analysis of the impact of minimum wage decisions given a consistent industry context. In addition, it enabled analysis of within-industry factors that had a bearing on how minimum wage decisions impacted on enterprise operations and business decisions.

**Enterprise size (small, medium and large)**

The selected case studies were chosen to include a mix of small enterprises (one–19 employees), medium enterprises (20–99 employees), and large enterprises (100–plus employees). The distinction between enterprise and workplace is important. For the purposes of this study, the size of the enterprise rather than workplace is the critical variable. Workplaces that are part of larger organisations are less likely to rely on minimum wages than those that are part of small and medium-sized enterprises. Larger enterprises are also more likely than small to medium enterprises (SMEs) to set wages via enterprise agreements. Thus a mix of single and multiple site enterprises were chosen for inclusion in the study.

**Workplace location (metropolitan and non-metropolitan)**

Case study enterprises were selected from each of the three eastern seaboard states (Victoria, NSW, and Queensland). According to some studies (WIRS reports, NSW and Victoria), Victoria has a much lower proportion of award-based employees than either Queensland or NSW; however, the aim of the study was to have a near-equal proportion of cases from each state. In each state, a roughly equal number of case study workplaces were selected from inner city locations within capital cities, outer suburbs of capital cities, regional cities, and regional towns. During the selection process, researchers took into consideration different labour local labour markets, in order to maximise diversity across high and low employment areas, as well as different local economies.

The distribution of the case study enterprises by their location is as follows:

- five case study sites were located in inner metropolitan areas of two state capital cities;
- six sites were located in outer metropolitan areas of three state capital cities;
- five sites were located in three regional cities with population sizes ranging from 47,000 to 200,000 people; and
- four sites were located in four regional towns with population sizes ranging from 607 to 3,085 people.

Using ABS Australian Standard Geographical Classification criteria, 16 of the case study sites were located in urban areas (capital cities and areas of population of 25,000 or more) and four were located in non-urban areas (outside of capital cities and areas of population of 25,000 or more). Cases were evenly distributed across the three eastern seaboard states, with six cases in one state and seven cases in each of the other two states.

---

65 ibid. Evesson et al. (2007).
66 The Eastern seaboard states were identified as locations of interest in light of McGuinness et al.'s. (2006) research for the AFPC, which found that the concentration of firms paying more than half their workforce less than $12 per hour was highest in Queensland, New South Wales, and Victoria (along with South Australia and Tasmania).