Research Report 10/2010

Consolidated Social Research Report

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TNS Social Research

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

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The Research Group has agreed to all research undertaken by or commissioned by Fair Work Australia that commenced in 2009.

The group comprises a Chair of Fair Work Australia’s Minimum Wages and Research Branch and representatives nominated by the:

- Australian Chamber of Commerce and Industry
- Australian Industry Group
- Australian Council of Social Services
- Australian Council of Trade Unions
- Australian Government, and
- state and territory governments.

This research—Consolidated Social Research Report—was commissioned by Fair Work Australia and undertaken by TNS Social Research.
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Executive summary

TNS Social Research was commissioned by Fair Work Australia to conduct a program of social research examining the experiences and views of Australians directly affected by adjustments to national minimum wages as they relate to the minimum wages objective (ss.284 Fair Work Act 2009).

The program of social research comprised two phases. The first phase of research was conducted in November and December 2009. This phase sought to examine the experiences of employers and employees directly reliant on minimum wages over the preceding 12 month period and identify the sentiment, attitudes and behaviours at that point in time. The second phase of research was conducted in March and April 2010. This phase examined changes in experiences, attitudes and behaviours over the research period and identified factors influencing decision-making and behaviours over 2010. This report consolidates findings from both phases of the research.

The report serves as a benchmark against which to compare future adjustments and outcomes for both employers and employees. Conducting the research over two phases—during times of changing economic conditions—enables retrospective insight into adjustments made during the downturn, changes made when the economy was beginning to improve, and also insights into planning and intention moving forward. In subsequent years, comparisons can be made with this research to provide perspective and assess the nature of business management practices and performance indicators, labour market conditions, and cost-of-living issues.

The experience of employers

Diverse outlook and decision-making

Employers were cautiously optimistic about business performance in the initial phase of the research. Regardless of the performance of their own business, employers were thinking and acting cautiously. By the second phase, optimism had notably increased and different outlooks were emerging. The varying confidence levels and associated levels of action uncovered in the second phase of research included:

- **Confidently moving ahead**—looking to expand the business. Employers with stronger or more sustained performance levels were more confident and were exhibiting more positive decision-making, for example, investing for growth and hiring staff to resource these ventures.

- **Moving ahead ‘cautiously’**—remaining vigilant in decision-making and delaying action or choosing conservative options. For example, hiring on a casual basis until plans were firmer or revenue levels higher.

- **Remaining cautious**—delaying decision-making and action, preferring instead to wait and see how conditions unfolded or to wait until revenue returned to acceptable levels to prompt action.

Business performance and adjustment strategies

The findings illustrate the diversity of processes employers in this research used to operate their businesses. These processes are influenced by market circumstances, business performance and attitudes to profit and viability, as well as by variations in business size and structure.

Almost all employers in the research had made changes to their business operations as a result of declining business performance during the downturn. Cost control and revenue generation actions were used by employers in response to both declining revenue and rising costs. The nature of how and when adjustments were implemented varied considerably according to whether the adjustment was prompted
by a decline in revenue or an increase in costs. The adjustment strategies used by employers in this research included:

- **Strategies targeting revenue**—these strategies involved maintaining or increasing revenue through an increase in the volume of sales/customers or through generating new revenue streams. Pricing was a key adjustment variable. Pricing considerations were influenced by business performance, position in the market and local economic conditions. These strategies typically required various revisions to marketing strategies (at a cost to the business).

- **Strategies targeting operating cost and cost control**—labour costs were generally considered to be more easily adjusted than other business costs. The wage bill was typically one of the first targets for cost control as was adjusting inventory levels in response to falling demand. These adjustments were considered to be relatively quick and efficient measures to control costs. Maintaining the quality of product or service was an important consideration when making adjustments to operating costs, particularly labour costs. Levels of demand were closely referenced before making adjustments and following the implementation of adjustments.

- **Strategies targeting productivity, efficiency and work design**—productivity gains focused on increasing units of output per labour hour. This was achieved through staff selection (selecting staff according to factors such as skills, experience, and work ethic), (financial) incentives to increase performance, or increasing efficiency in performing tasks. Several employers had made changes to their operational model and workforce structure to streamline business processes and increase efficiency (e.g. reducing the time spent to complete projects, reducing headcount by using higher skilled staff, and changing the length and timing of shifts). Many employers indicated that they would retain the strategies that had delivered efficiency gains and costs savings.

- **Strategies targeting workforce management and development**—these strategies involved workforce restructuring, and changes to employment arrangements and wages. Approaches to workforce structure varied considerably according to operational needs, the priority of service quality, government regulations and employee preference. The most common workforce management strategy considered was the use of casual labour. The flexibility and cost of casual arrangements was compared to the stability and cost of permanent arrangements. Casual arrangements were considered more appropriate for some industries than others, however, the benefits of flexibility in changing economic conditions became increasingly apparent—leading employers, who had previously favoured permanent arrangements, to consider and implement casual arrangements.

The findings presented in section 3.2.3 of the report group the adjustments used by employers in this research according to objectives and modes of implementation. Some adjustments were part of strategies to achieve long-term revenue generation or cost control, while other adjustments had only short-term objectives. Some adjustments were easily and/or quickly implemented, while other adjustments required more careful consideration and took longer to implement.

Many of the adjustments implemented by employers in the research had resulted in increased efficiency and an improved business model, prompting some employers to maintain them longer than originally intended. There were also examples of adjustment being modified or reversed following indications of improved performance.
Training

Investment in training varied. All employers in this research reportedly provided some level of training; however, there was extensive variation in the nature of training provided to employees. Employers with low-skilled employees (particularly the smaller businesses) provided only basic, on-the-job training, essentially so that these employees could perform their main duties. Other employers, generally those requiring more highly skilled employees, offered comprehensive training programs. These programs were aimed at improving productivity and performance, filling skills gaps and were also an effective method of retaining ‘valuable’ staff. For example, businesses operating in industries with skills shortages offered training as a means of attracting and retaining skilled employees.

Recruitment

Most employers felt that the labour market had favoured business during the changing economic conditions; but, there was some scepticism about the ‘quality’ of job seekers. Most employers indicated a preference for experienced/skilled workers who could deliver higher productivity. Some felt this preference was viable as a consequence of the relatively large pool of skilled applicants seeking employment (compared to more prosperous times), while others continued to experience a shortage of applicants for skilled positions.

Wage-setting

Many businesses in this research had a mix of employment arrangements and wage determinants, and referenced a number of awards in setting pay rates across their workforce. Some employers paid all employees minimum rates, however, most employers in this research used some discretion and set wage rates at an individual level for certain staff. ‘Unproven’ staff such as juniors and trainees typically commenced on minimum rates, while higher performing employees were often paid some variation above minimum rates, reflecting their greater value to the business.

Some employers in this research had offered newly recruited staff minimum rates during the downturn period, where they would have previously offered above-award rates. There were also examples of employers deciding not to pass on planned pay increases to existing employees who were paid above minimum rates. Few employers in this research had reduced the salaries or hourly wage rates of their existing employees paid above minimum rates. Instead, the total wages bill was managed through reductions in hours, including introducing nine-day fortnights, rostering fewer overtime shifts, using permanent and salaried staff rather than casuals or staff paid per hour, and using juniors rather than adult employees.

The research with both employers and employees indicated that employers’ control of the labour market led some employees to either accept an overall lower wage through reduced hours, or to take up jobs on minimum rates of pay or at lower classifications in order to obtain employment. Effectively, the minimum rates served as the floor or safety net for a broader range of employees whose bargaining power had diminished.

By the second phase of the research, some employers had implemented pay increases either to ‘catch up’ on cuts made to above-award wages or planned increases that had been held back during the downturn. A few were making or planning for further increases to highly valued staff they wanted to retain.
Modern awards

Awareness of modern awards appeared to increase over the course of the research. Understanding of the transition to modern awards varied considerably. Some employers were very knowledgeable about the details and were able to explain the likely implications for their business. Other employers had less, if any, understanding of how transitioning to modern awards would affect their business. Some employers felt the new awards provided clarity and simplification. Other employers, particularly those in retail, felt very strongly that changes could threaten service delivery and business viability. Some businesses had already begun to plan operational changes in response to award changes, including planned price increases, cost cutting measures and changes in trading hours.

The experiences of employees

Most employees in the research experienced changes to employment arrangements and conditions during the downturn, including reduced working hours, increased work intensification and changes to shifts and overtime. These changes generally resulted in reduced wages income.

The general sentiment among employees was that the ‘worst was over’. This sentiment appeared to strengthen over the course of the research. Concerns about the economic downturn and its effect on employment conditions and earnings dominated discussions in the first phase of the research. However, in the second phase of the research these concerns were seemingly usurped by concern about increases to living costs, most notably interest rate rises. Many employees in the research were optimistic about future opportunities and choices resulting from improved economic conditions but they remained cautious in their decision-making about work and life.

Attachment, mobility and training

The employees in this research were grateful to have (any) employment. Concerns about job and income security appeared to influence their attitude toward employment generally and strengthen their attachment to their current employment. For some participants, increased concerns about job security lead to a decrease in expectations of employment conditions (most notably hours worked, wages and the workplace environment) and also to limited mobility. Many employees in this research were prepared to accept lower pay or less desirable working conditions. Some deferred decisions to change jobs, to take up training or to negotiate wages and/or employment conditions during the downturn.

In the second phase of the research, few participants were experiencing changes to employment conditions that were negatively affecting their income. More commonly, participants were experiencing changes that increased income. There also appeared to be less preparedness to accept undesirable working conditions.

Strategies for responding to changing employment

Reduced wages income as a result of underemployment, coupled with what were perceived to be constant increases in living costs (most notably in the costs of groceries, petrol and housing), challenged some participants to maintain their standard of living. Employees in the lower range of income dispersion without access to alternative income streams—particularly those with dependants—faced the most difficulty in this regard.

Many strategies were adopted by participants in response to reduced wages income, often addressing both income and expenditure. Employment and income-related strategies included working more than one job, actively finding more hours or different shifts in their current job, searching for more secure work or work with less reliance on casual shifts, increasing productivity, and investing in training. Commonly
implemented strategies to limit expenditure included budgeting and reducing discretionary spending, managing debt and increasing saving. Some employees also increased their reliance on debt to get through particularly challenging periods.

Employees continued to use a range of strategies to meet living costs over the second phase of the research. They used employment-related strategies such as working multiple jobs or alternative hours, as well as changes to budgets, debt management, discretionary spending and savings.

Workforce participation and social inclusion

Decisions to work and the level and nature of workforce participation varied according to the situations of employees in this research. Changes to working conditions and the related issues affecting overall income and quality of life were important factors for considering the benefits of working. In particular, employees in the lower range of income dispersion or in casual employment found that their employment could sometimes inhibit aspects of social inclusion.

The expectations of employees appeared to have been lowered during the downturn with greater acceptance of lower income and underemployment through short-time arrangements or reduced casual hours. The trade-off with government allowances was taken into account, as the incentive to work diminished relative to the security of regular, albeit lower, income from allowances.

Many unskilled participants felt that they had not benefited personally from improved labour market conditions. Without the skills, time, resources or self-belief needed to progress, many of these participants remained underemployed, in a situation where they were greatly challenged to meet their living costs. It was these employees who were most conscious of the perceived disparity between increasing living costs and their wage rates, and who faced most challenge in funding their relatively ‘basic’ standard of living.
1 Introduction

1.1 Background and objectives

Fair Work Australia commissioned TNS Social Research to conduct a program of social research examining the experiences and views of Australians directly affected by adjustments to minimum wages as they relate to the minimum wages objective. Minimum wages include the national minimum wage for award/agreement free employees, special national minimum wages for award/agreement free employees who are juniors, to whom training arrangements apply and employees with disability, modern award minimum wages and minimum wages in transitional minimum wage instruments not otherwise terminated by Fair Work Australia. The minimum wages objective in the Fair Work Act 2009 (FW Act) refers to a range of criteria that should be taken into account in establishing and maintaining a safety net of fair minimum wages in Australia. These criteria include:

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

The program of social research comprised two phases. The first phase of research was conducted in November and December 2009. This phase sought to examine the experiences of employers and employees directly reliant on minimum wages over the preceding 12-month period and identified the sentiment, attitudes and behaviours at that point in time. The second phase of research was conducted in March and April 2010. This phase examined changes in experiences, attitudes and behaviours over the research period and identified factors influencing decision-making and behaviours over 2010. This report consolidates findings from both phases of the research.

1.2 Research process

1.2.1 Research sample

The research was designed to capture the views and experiences of two specific target groups: minimum wage–reliant employees and employers of minimum wage–reliant workers. Minimum wage–reliant employees/workers have been defined as employees who rely on a national minimum wage, modern award or transitional minimum wage instrument to determine their terms and conditions of employment, including wages. This research did not include employees who were covered by over-award arrangements including informal arrangements or formal arrangements such as enterprise agreements or Individual Transitional Employment Agreements.

Employers of minimum wage–reliant workers in this research use a national minimum wage, modern award or transitional minimum wage instrument to determine the terms and conditions of employment, including wages for all or a portion of their workforce.
At the outset of the research, a potential challenge was identified in determining minimum wage reliance. Prior research has identified limited awareness of wage-setting instruments and arrangements among employees in particular.1 To address this challenge, TNS Social Research, in consultation with the Workplace Research Centre at the University of Sydney and Fair Work Australia, developed a unique process for participant recruitment. This process involved sourcing the sample through multiple networks, screening the sample using questionnaires and validating questionnaire responses against industrial instruments and publicly available information about enterprises.

Further detail about the process of recruitment can be found in Appendix A.

1.2.2 Sample characteristics

A further challenge for recruitment was identifying and representing the range of industries, occupations, classifications and wage rates of minimum wage reliance. Timing constraints and the intensive nature of the recruitment process necessarily led this research to focus on industries and occupations identified as having high proportional award reliance. Most employers in this research have been sourced from the following five industries: Accommodation and Food Services (AFS), Retail Trade (Retail), Administration and Support Services (ASS), Manufacturing and Health Care and Social Assistance (HCSA).

The second phase of research contained a broader range of sectors in addition to the five primary industries: Construction; Transport, Postal and Warehousing; Agriculture, Forestry and Fishing, Information Media and Telecommunications and Finance and Insurance Services.

A range of occupations have been included in this research, most of which are relatively low-skilled and low-paid. Personal and employment circumstances were closely monitored through the recruitment process to ensure the final sample included a wide range of characteristics.

Employer sample characteristics

The majority of businesses represented in this research were small to medium-sized enterprises. Most employer participants were business owners/managers with broad responsibilities for business operations. These employers tended to be from smaller businesses. Other employer participants had responsibility for recruitment and wage-setting, but not for broader business operations. These participants were typically drawn from larger organisations where responsibilities for managing employees, including wage-setting, were delegated by business managers.

Some employer participants reported setting wages across their workforce according to award(s) or transitional pay scales. That is, all staff were minimum wage-reliant. Most participants, however, used a variety of methods for determining employee wage rates, and paid some staff over-award rates for the classification/level at which they were employed. Where employers used several methods for determining wage rates, the proportion of minimum wage-reliant workers was relatively small.

Further detail about employer participant characteristics as highlighted through the research can be found in section 2.1 and throughout section 3. Tabulated details of employer sample characteristics can be found in Appendix A.

Employee sample characteristics

Recruitment of employee participants for both phases of research focused primarily on determining minimum wage reliance. Representation of personal and employment characteristics was a secondary consideration due to the intensive nature of identifying and validating minimum wage reliance, and the relatively short timeframe to recruit participants. Phase two of the research also included employees from Indigenous and culturally and linguistically diverse backgrounds. These participants proved particularly challenging to recruit as understanding of employment conditions and wage-setting arrangements was very low. Representation of personal and employment characteristics was necessarily limited among these groups due to the intensive nature of screening respondents and validating questionnaire responses.

Classifications/levels of employee participants represented basic wage rates of between $9.00 per hour (apprentice wage) and $32.00 per hour. Most employee participants in this research had a basic wage rate of between $17.00 per hour and $22.00 per hour. Actual earnings of employees either mirrored the basic hourly rate set out in the instrument or included casual loadings, shift allowances/penalty rates and overtime payments where the instrument so specified.

Further detail about employee participant characteristics as highlighted through the research can be found in Section 2.2 and throughout Section 4. Tabulated details of employee sample characteristics can be found in Appendix A.

1.2.3 Data collection methodology

The research program employed multiple qualitative data collection methodologies. This approach was designed to achieve an optimal balance between depth of understanding and capturing a breadth of views and experiences across the country. Locations for face-to-face data collection methods were selected to access views and experiences of target groups across metropolitan and regional areas and in locations experiencing high and comparatively low levels of economic performance. These locations were primarily identified through examination of employment levels. These locations were:

- Melbourne (phase one and phase two)
- Wagga Wagga (phase one)
- Cairns (phase one)
- Perth (phase two)
- Sydney (phase two)
- Renmark (phase two).

A summary of the data collection methods employed are outlined below.

Focus groups

Experienced TNS Social Research facilitators conducted a total of 12 face-to-face targeted discussion groups with minimum wage–reliant employees. Six of these discussions were facilitated in the first phase of research and six in the second phase. Two groups were conducted in each of the six locations listed above. Groups contained between six and eight participants and took place in central locations. Discussions were between one and a half and two hours duration. Prior to the discussions commencing, participants completed profile sheets that collected demographic information and details of their current employment arrangements, wages, income sources and expenditure.
In-depth interviews

Experienced TNS interviewers conducted 18 face-to-face in-depth interviews with employers of minimum wage–reliant workers. Across the locations list above 12 interviews were conducted in the first phase and six interviews were conducted in the second phase.

Interviews were conducted in the employer’s workplace or a suitable venue and were between 45 minutes and one hour in duration. Prior to the interview taking place, employers completed a profile sheet that collected enterprise information about workforce structure, revenue, operating expenses, profit levels and expectations for profit levels in the 2009–10 financial year.

Interactive online discussion forums (bulletin boards)

Experienced TNS Social Research facilitators conducted a series of online bulletin boards involving up to fourteen participants located across five states. The bulletin boards operated over a period of five days. Individual activity questions and group discussion questions were set for each of the five days. The bulletin boards were conducted across both phases of research, half in the first and half in the second phase, structured as follows:

- n= 2 online discussions with younger minimum wage–reliant employees (aged 18–25 years)
- n= 2 online discussions with employers from businesses in the Retail and Manufacturing industries
- n= 2 online discussions with employers from businesses in the AFS, HCSA, Retail, Manufacturing and ASS industries.

Longitudinal interviews

The second phase of the research included a series of 24 in-depth interviews conducted by telephone with employer and employee participants from the first phase. Participants were drawn from both the face-to-face and online research to represent a mix of industries, occupations, age-groups and wage rates. These interviews enabled researchers to follow up on specific issues that had been identified by individuals in the first phase of the research and to examine changes in attitudes and behaviours over the research period.

They were structured as follows:

- n=12 in-depth interviews with employers
- n=12 in-depth interviews with minimum wage–reliant employees, including n=4 in-depth interviews with higher skilled/classification minimum wage–reliant employees.

Research with culturally and linguistically diverse (CALD) and Indigenous employees

The second phase of the research included employees from culturally and linguistically diverse and Indigenous backgrounds. Three mini-group discussions were conducted with employees from linguistically diverse backgrounds in participants’ native languages. This included Vietnamese and Chinese employees in Melbourne and Arabic employees in Sydney. Two discussions were conducted with Indigenous participants in Sydney that were facilitated by experienced Indigenous researchers.

Further details about participant characteristics and data collection can be found in Appendix A.
1.3 How to use the findings presented in this report

This research purposefully sought to include the opinions and experiences of participants representing a variety of circumstances. Relative prevalence of opinion and/or experience is noted throughout this report to highlight the more frequently expressed themes. However, this report also presents the range of views and experiences articulated by the research participants rather than simply focusing on the main or repeated themes. Direct quotations from participants are presented in the body of the text (indented, with attribution in square brackets) where these examples provide meaning or context to themes discussed.

Also, particular illustration of participant experiences and employment history are contained in vignettes throughout the report.
2 Research findings in context

The findings presented in this report are about the lived experience of changing economic conditions throughout 2009 and 2010. Many of the findings relate to managing elements of change and how change can affect attitudes and confidence which can flow-on to influence behaviours. The research serves as a benchmark against which to compare future performance, adjustments and outcomes for both employers and employees. Conducting the research over two phases—during changing economic conditions—enables comparisons over time and provides insight into the adjustments made during the downturn, changes made as performance began to improve, and planning and intention moving forward. In subsequent years, comparisons can be made with this research to provide perspective and assess the nature of business management practices and performance indicators, labour market conditions, and cost-of-living issues.

2.1 Characteristics of employers in this research

Most employers in this research reported profit levels ranging from no profit to 30 per cent. Profit levels for the majority were under 20 per cent and several reported profit levels of less than five per cent. A number of participants chose not to disclose business profit levels. Almost all employers had experienced a decline in profit levels at some point during the downturn, whether sustained or short-term. Weakened business performance was largely due to a decline in revenue, though references to increased operating costs were also made.

Employers reported that the largest and most significant expense to their businesses was wages. Few employers nominated operating costs among the main factors that influence business performance. Changes in profit levels were largely influenced by level of demand for product/service (including performance of the economy), the degree of competition for the same product/service within their local market and the quality of the business's service or product.

Most of the business owner participants in this research had established businesses and had been in operation for more than five years.

2.2 Characteristics of employees in this research

The research highlighted the diversity of personal circumstances among the sample of minimum wage–reliant employees in terms of life-stage, demography, education and skills, aspirations, attitudes and motivations. These factors combined in different ways to influence employment arrangements, wage levels and attachment to employment.

Many participants employed on a permanent basis considered their current employment a long-term arrangement. Others, typically employed on a casual basis, considered their current employment to be temporary.

Main income earners in this research were typically working full-time hours on a permanent basis as their employment preference. Employees who were secondary income earners often had other priorities, including studying or parenting. Many of these participants preferred working part-time hours, often, but not exclusively, on a casual basis. In some cases, participants’ employment arrangements did not reflect their preferences for hours and shifts.

Employees in this research with university qualifications, diplomas, certificates and trade accreditations had comparably higher wages than employees who did not have, or had not yet completed, post-secondary school education.
The research revealed diverse attitudes toward paid employment. Some participants felt attached to their current employment and sought or aspired to more personally and/or financially rewarding employment. Several reportedly did not feel attached to their current employment, nor motivated to seek an alternative.

### 2.3 Economic change

The research was conducted at a time when Australia was emerging from a significant economic downturn. The downturn and its impact on the performance of the businesses in this research, the labour market, quality of life and related decision-making dominated all discussions in the first phase of the research. Performance of the economy and the links to revenue levels of business was an enduring concern for participants in the second phase of research, more notably among employers. Living costs, in particular, rising interest rates emerged as the salient issue for employee participants.

Over the research period, the general perception among participants was that the worst of the downturn had passed. There was considerable diversity of opinion about the extent of improvement, as not all participants had experienced tangible evidence of recovery but the overarching sentiment was positive.

It should be noted that participants in this research were employers who had remained in business and employees who had remained attached to the labour market over the preceding 12-month period.
3  The experience of employers

Key findings

Employers in this research were cautiously optimistic about business performance. The level of optimism appeared to increase from the first to the second phase of the research. Some employers had experienced greater growth than anticipated but few were expecting business performance comparable to that experienced during the pre-downturn period.

The findings illustrate the diversity of processes used by employers in this research to operate their businesses. These processes were influenced by business performance and attitudes to profit and viability, as well as by variations in business size and structure.

Almost all employers in the research had made adjustments to their business operations as a result of declining revenue and/or through rising costs during the downturn. The adjustments varied according to the specific objectives or modes of implementation. Strategies generally focused either on revenue generation or cost control, though some involving multiple adjustments sought to do both concurrently.

Employers in this research had planned for changes (‘planners’) or reacted in an ad hoc manner when and as needed (‘responders’). Those who had the opportunity to plan, could be more strategic and favour adjustments with long-term benefits for revenue generation/cost control, compared to more reactionary adjustments which were typically implemented in an ad hoc manner with short-term objectives.

The most prevalent adjustment strategy used by participants in response to declining revenue involved reducing labour costs through cuts to staff hours and numbers. Some employers had reversed or modified the more severe changes to workforce structures and hours that had been implemented during periods of decreased performance. Some strategies for workforce management, cost control, productivity and cashflow management that had delivered positive outcomes were being maintained longer than originally intended.

Awareness and understanding of modern awards appeared to have increased from the first phase to the second phase of the research. Some employers were able to articulate the implications for their business, others had less, if any, awareness of how the transition to modern awards would affect their business. Some employers felt that modern awards provided clarity and simplification, others felt that changes could threaten service delivery and even business viability. Some businesses had already begun to plan operational changes in response to award changes.

Most employers in the research felt the labour market had favoured business during the changing economic conditions. Most employers indicated a preference for experienced/skilled workers, who could deliver higher productivity. Some felt this preference was viable, while others continued to experience a shortage of applicants for skilled positions.

All employers in this research paid minimum rates. Some paid minimum rates to all staff across their workforce but most used a variety of wage-setting arrangements. The downturn was thought to have brought about a change in ‘acceptable’ labour rates, though this was considered short-lived. In the second phase of research, a few employers had reportedly implemented pay increases either to ‘catch up’ on cuts made to above-award wages or planned increases held back during the downturn. A few employers were making or planning for further increases to highly valued staff in an effort to retain them.
3.1 Employer attitudes and business decisions

In the context of the challenges throughout the downturn period, confidence, as influenced by the general outlook regarding the economy and business performance, played a significant role in employer decision-making. Throughout the first phase of the research, the perception that the worst of the downturn had passed was observed to be influencing key business decisions. While a sense of recovery was not universal, by the second phase employers were more confident and were more proactively driving better business performance and/or growth.

3.1.1 Outlook: diverse economic outlooks

During the first phase of research most employers felt conditions had at least stabilised or improved, however the degree of expected improvement varied considerably. Some employers considered that 2010 would be a consolidation year and were expecting to maintain current business performance. Others were cautiously optimistic about seeing business performance improve as a result of an upturn in economic conditions and/or the adjustment strategies implemented in response to declining performance over the downturn period:

‘I feel confident that we have seen the worst of the downturn. The next 12 months will be quite stagnant in economic growth but this is mostly a consolidation stage.’ [Employer, small, AFS, Melbourne, phase one]

‘I am expecting about a 20 per cent growth year on year. Little of this will come from a generally improved economy as far as I am concerned, as I don’t expect economic performance to be improved greatly. We see that we will be reaping the rewards of our investment in new markets. We will continue to maintain the credit controls and watch costs so profit should be sustainable unless we see more clients go under unexpectedly.’ [Employer, medium, Manufacturing, Melbourne, phase one]

For many business owners and managers in the second phase of research the ‘cautious optimism’ reported earlier had dissipated. Employers often discussed the downturn using the past tense, indicating a confidence that the worst was behind them. A general theme of relief was detected, with some employers even surprised that they had performed as well as they had:

‘Our business is performing well this year. After a slow 2009 which included some cutbacks, we are now back on track, and probably busier than we were back in 2008 when things took a slide. We are looking at employing new people, i.e. new jobs have been created … This year has been a much better start … we have had a very busy first quarter … We expect to continue on as we did prior to the GFC. Business is looking good.’ [Employer, medium, ASS, Adelaide, phase two]

Some employers expressed a view that the downturn was not as serious as anticipated. A few were even sceptical or dismissive of the event. There also remained several business owners who, while cognisant of the severity of the downturn for others, were themselves unaffected by the downturn or experiencing improved revenue streams:

‘If there was no publicity regarding the GFC, no one would have noticed.’ [Employer, large, HCSA, South Australia, phase two]

Coming out of the downturn, business confidence appeared to outpace employee confidence (see section 4.1).
Demand for goods and services remained a driving factor for performance and confidence, however, participants also raised many other issues affecting business performance. They purported that these were more influential than broader economic conditions. The nature of this discussion further supports the findings that the impact of the downturn had dissipated. For some participants demand was returning and they were shifting their attention to other emerging issues that were cause for concern. These include issues such as skills shortages, impacts on quality of service, for example, through changes in staffing, products or customer expectations, competitor activity, weather conditions, changes to industry regulations, and modern awards and award rate changes.

While confidence was increasing, business performance varied considerably across locations, reflecting the diversity of issues across local economies and sectors. Some areas appeared to have experienced more extreme or sustained declines in business performance over the downturn. Some were continuing to experience difficulty several months after other businesses were reporting signs of recovery. For these employers, price competition continued to eat into profitability and business viability would remain a significant concern in 2010. Businesses that had sustained significant declines in revenue during the downturn tempered any positive comments with caution and emphasised vigilance regarding management of costs and protecting revenue streams. Regardless of the performance of their own business, employers interviewed over the first phase of the research were reportedly acting cautiously when making business decisions. Over this period even if revenue had not been directly affected by the downturn, confidence was low. Owners were operating under conditions of high caution and low risk ‘just in case’.

In the second phase of the research, there was a greater variety in reported business performance, confidence about the future and decision-making. Different outlooks were emerging. The varying confidence levels and associated levels of action are described below.

Some business owners were confidently moving ahead (e.g. investing for growth), looking to expand product lines, build on new revenue streams or contracts and were hiring staff to resource these ventures. A more positive outlook for employers and stronger signs of recovery translated to these employers reconsidering aspects of their business operations that had been modified during the downturn period. Those with higher performance levels were more confident and exhibiting more positive decision-making.

Other employers were moving ahead ‘cautiously’, preferring more conservative actions or delaying implementation of changes until conditions further strengthened or until plans were firmer. For example, reinstating hours previously cut back or (re)hiring staff on a casual basis rather than permanently until revenue levels were higher or strong performance had been sustained over a longer period.

Some employers remained cautious as they had not (yet) experienced an increase in business performance. Many of these employers had not made or even considered reversing or modifying the adjustments they implemented during the downturn. These employers remained conservative in decision-making, preferring to wait for signs of improved or sustained business performance such as a big contract win or a fuller order book.

Examples of the nature of employer decisions are outlined in section 3.1.2.

A note on modern awards and employer outlook and decision-making

Phase two of the research revealed the transition to modern award wages and conditions as an emerging issue influencing decision-making of some employers. While not all employers were familiar with the details of transitioning to modern awards, implementing changes to comply with modern awards was raised unprompted by some employers in the research. These employers were concerned about the
financial and administrative burden of complying with modern awards. Longer-term business decisions appeared to be greatly influenced by these changes and the effect of these changes may not be evident until the business has fully transitioned to the modern award(s) in July.

Changes to penalty rates and casual loadings were a point of particular concern for employers due to their perceived significant impact on profitability and even viability. Changes to minimum wage rates were also mentioned. Some employers were aware of the transitional provisions in modern awards and commented on how increases in wage costs would be phased in by their business over the coming years. See the section 3.7.7 Modern awards for detailed discussion.

As understanding and interpretation of transitioning to modern awards and the impact on business operations and wage costs was quite limited overall, the effect on decision-making at this stage was largely caution in the form of deferring decisions until the implications of this process become clearer. However, for employers who were across the implications for their business, the changes were influencing decisions about workforce management and rostering, trading hours and weekend services. Some employers in the research had begun to act in order to comply with modern award conditions and identified business adjustments they had made to off-set increases in their wage costs.

### 3.1.2 Examples of positive decision-making

Perceptions and decision-making were most notably influenced by direct experience of business performance, with an increase in sales, orders or revenue seen as indicative of a broader economic upturn. Employers expecting improvements in business performance in the coming months frequently noted the effectiveness of particular strategies they had implemented during the downturn. Many of these strategies included adjusting models of operation to manage efficiency and cost.

‘Rightly or wrongly, the “near recession” has provided an opportunity for businesses to re-evaluate their operations, providing efficiencies and other gains … [The] current economic situation has forced people to reassess their spending/saving habits, which hopefully will benefit them in the longer term.’ [Employer, medium, HCSA, South Australia, phase one]

During the first phase of research, employer decision-making was already being influenced by cautious optimism about both the effectiveness of adjustment strategies they had implemented, and an upturn in economic conditions. By the second phase, most employers were reconsidering aspects of their business operations and making decisions to modify or reverse adjustments and even to grow their business. Many had made multiple changes in areas such as:

- **Inventory**—reordering stock and building up inventories in response to increasing sales and optimism. This had a flow-on effect to providers of inventory where orders increased:

  ‘… we cut the pies right back. Then the pies have sold again, so we increased them.’ [Employer, small, Retail, Queensland, phase one]

- **Pricing**—fewer discount sales and promotions or even increasing prices. Sufficient increases in turnover or spend per customer signalled to business that pricing could be adjusted upward without losing custom:

  ‘There was one particular product that was a main seller, and these cost the customer $300 upfront. I found that sales in this area slumped and we were lucky to sell one a week, compared to around 12 a week. Massive dent in our profits there! We did a “sales” pitch and dropped the price of these products to still try and turn the stock over. When we saw the economy pick up again we removed the sale.’ [Employer, micro, Retail, Brisbane, phase one]
‘We’ve got quite a few specials on at the moment to try and draw people and we’ll see over the next two weeks if we’ll definitely sell more of those items just because we’ve got a special tag on them. But we also sell more of things next to them that haven’t got the special tag on.’ [Employer, small, Retail, Queensland, phase two]

- **Employment**—seeking to increase staff numbers or hours due to an upturn in revenue:

  ‘Changes were necessary in order to meet and maintain our wages-to-invoice ratio. Sometimes, less staff is easier to manage (and they work harder as they have a basic need to pay rent and put food on table), but as soon as things picked up, we did need to recruit old names again, as we need to turn product around quickly and effectively.’ [Employer, micro, Manufacturing, Melbourne, phase one] ‘But the part-time thing helped us fill the gap short-term, but long-term solution, we still need to replace the people we’ve lost.’ [Employer, medium, Adelaide, ASS, phase two]

  ‘Staff either lost 15 minutes at the start of their shift, or 15 minutes at the end of their shift. Less set-up time at the start of a shift left staff feeling rushed and unsettled, and sometimes the room was not ready when the children arrived, this sometime carried over on to the children, and we felt it was contributing to an increase in challenging behaviours. Reinstating the hours meant a second staff member was there to help set up and when children arrive into a well organised room, they feel more contented and display more positive behaviours.’ [Employer, small, HCSA, Adelaide, phase two]

### 3.2 Business performance and processes

#### 3.2.1 Business processes

The processes used to manage business varied according to the skills, experience, and attitudes of business managers together with the diversity, flexibility and structures of business. Levels of sophistication in management approaches, degrees of business acumen and related decision-making processes varied across sectors, business size and type, and length of time operating the business.

Some business models are more simplistic and tightly managed with less control over variables, while others required complex solutions and/or had a greater number of levers to pull in response to changes in operating cost or revenue. Some businesses operated with tighter margins and felt they had ‘no room to move’ when reacting to changes. Some demonstrated how they could control costs while others felt they had limited control over most operating expenses, including wages. The workplace relations setting and level of flexibility in staffing arrangements contributed to this.

Typically, business managers were either ‘planners’ or ‘responders’. Some anticipated changes and scheduled responses while others were more reactionary and responded in an ad hoc manner. The attitude of the business manager to risk greatly influenced business processes. Some employers preferred to take a conservative, risk-averse approach over more entrepreneurial or innovative strategies:

  ‘With all the negative sentiment around the place, we decided to take a conservative outlook at the time rather than a more optimistic one. I think it is best in lean times to play it safe.’ [Employer, micro, Manufacturing, Melbourne, phase one] ‘Within our customer base there are always winners and losers. The winners in any particular year tend to spend money whereas the losers hold tight to the machinery they have until they experience better times. We are very positive about our future in the short-term (one-to-two years) and the longer-term (two-to-five years). We are at the cutting edge of design and manufacture and will always produce leading products.’ [Employer, medium, Manufacturing, Perth, phase two]

Some managers were actively seeking information and taking advice from business consultants or accountants. Others operated on their own instincts and personal knowledge of the health of their
business and past experiences. Many businesses also used the actions of neighbouring or competing businesses or major players in their market as a guide to inform their decision making.

### 3.2.2 Diverse performance and profitability

Over the first phase of the research the changing, and often challenging, economic conditions dominated discussions across most locations, with a wide range of views and experiences expressed. Many participants, particularly in the Accommodation and Food Services and Retail trade industries, recounted decreasing profits as a result of reductions in revenues that threatened business viability and income security. For some employers this was a scenario they had never faced in business before.

Almost all participants had made changes to business operations during the downturn to manage the changing economic conditions. Even where revenues had not declined, businesses operated with high caution and low risk.

There were varying degrees of impact on business performance observed across industries, sectors and local economies. Impacts on business performance also varied quite significantly across sectors within industries (child care was a case in point – see below) in which employer participants operated. The table on the following page demonstrates some illustrative examples of industries and the impact described by employers, highlighting the varying nature of impacts and the diversity across sectors.

**Table 1: Varying nature of impacts on business performance**

<table>
<thead>
<tr>
<th>Negative impact</th>
<th>Neutral impact</th>
<th>Positive impact</th>
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<tbody>
<tr>
<td>Retail—Luxury jewellery (cut in sales of luxury goods).</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Services—HR (finance sector not recruiting).</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Catering (fewer functions held).</td>
<td></td>
<td></td>
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<tr>
<td>Construction—Building (projects cancelled).</td>
<td></td>
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</tbody>
</table>

Businesses operating in the community services sector generally reported that the downturn had not affected business performance, but had noted other changes—for example, more ‘vulnerable’ people seeking assistance, and increased need for housing services. Some childcare operators had noted both increases and reductions in demand as children had been taken out of care by some parents who were no longer working but there were other parents requiring more care as they were seeking additional work.
Many employers operating in the Health Care and Social Assistance industry felt that their services would always be required and that business performance would be relatively consistent regardless of how the economy was performing:

‘Medicine is recession-proof. People get sick so we are always guaranteed payment if they are bulk-billed. The only change would be a patient that would be bulk-billed … [Who] in the past … may have paid for their consultation.’ [Employer, micro, HCSA, Melbourne, phase one]

‘We actually had more demand for childcare because people had to go back to work.’ [Employer, micro, HCSA, Sydney, phase two]

Employers with a diversified offering or revenue from a wide geographical base appeared to fare relatively well:

‘Obviously weather will play a big part in our performance as we have no control over that but while we make a superior product that is very well-known we will always be active and competitive within our market. And it seems that while one part of the country is suffering a lack of water, there are other areas that are flooding. Lucky for us we have established a diverse customer base.’ [Employer, small, Manufacturing, Adelaide, phase two]

Some employers explained how they had actively shifted their efforts to the better performing areas of their business to maintain revenue levels during the downturn period:

‘People are staying home. We’ve got two pubs which have bottlos here. The bottlos have gone up and the bar trade has gone down because people can get as drunk as they want at home.’ [Employer, medium, AFS, New South Wales, phase one]

The businesses in this research that were operating at the lower end of the market, with lower price points attractive to a wider, more cost-conscious customer base also maintained business performance through the downturn:

‘Our price point and our market base is a bit recession-proof. People are always going to drink hot coffee … the places that are going to be hurt are the high-end places.’ [Employer, medium, AFS, Melbourne, phase one]

Overall, by the second phase of the research, many businesses were reporting that profitability exceeded expectations. Most employers initially had low expectations and were relieved to have not been impacted as severely as anticipated. For most employers who had implemented strategies to respond to declining revenue, the pleasing profit levels were largely attributed to their intervention, without which their business may not have remained viable.

Some employers were now describing a general improvement in conditions, an increase in demand and the return to more buoyant conditions in their market:

‘Everything’s really taken off the ground, so it’s been great. Performance wise we’re doing quite well and we’re coming up to the end of the quarter now, we’ve probably delivered maybe 120 per cent of the scheduled target across the board. It’s a pretty good result for us.’ [Employer, medium, ASS, Adelaide, phase two]

However, while some were experiencing growth, not all were moving ahead as confidently. Some employers were remaining cautious based on softer revenue figures. Others were choosing to ‘wait and see’ while they awaited new or imminent outcomes such as the arrival of a new Director for a child care centre (and associated increases in enrolments from parents) or the outcome of a recent government tender process to support a more certain or sustained turn around in performance:
‘We are hoping to be successful with a tender process that we have just completed which will see a substantial growth in service ... So [we’re] very hopeful for the next 12 months.’ [Employer, medium, HCSA, Perth, phase two]

When asked about the main factors that influence business performance, answers were many and varied, reflecting different experiences across types of businesses and varying levels of sophistication in business management. The degree of control that employers felt over their profitability also varied. By the second phase of the research, recessionary factors featured less frequently in the range of factors mentioned unprompted by employers.

### 3.2.3 Adjustment strategies

Within the context of diverse business management practices, as outlined in section 3.2.1, employers regularly consider and plan for, or react and adjust to, changes to their businesses. This includes adjusting for cost increases and/or for revenue decreases, or any other factors which may call for changes to business operations, such as changes in regulations, industry structures or wider market or industry activities.

The types of adjustments implemented by employers in this research can be grouped according to objectives or modes of implementation. Some strategies focused on revenue generation or cost control, some had short-term objectives, some were more easily or quickly implemented. Others were more significant in terms of the impact on the business or on staff, and therefore took more careful consideration or were considered a ‘last resort’.

**Revenue generation versus cost control adjustments**

Adjustment variables generally focused on either revenue generation or cost control, though sometimes both concurrently:

- **Targeting revenue/turnover**—these strategies involved increasing the level of custom through a number of means, which are detailed in section 3.3. Sometimes these adjustments were implemented in response to competition price-cutting (reactive), but were often initiated by the business in response to declining revenue. These adjustments were used by businesses in the Retail and Accommodation and Food Services industries in this research. Increasing prices was not mentioned by any participants as a viable option during the downturn.

- **Targeting costs**—these strategies involved reducing operating costs, and are detailed in section 3.4. Often these adjustments were in concert with increased work intensification for existing staff and/or manager-owners working harder themselves. Cutting costs by reducing the quality of inputs was not considered a feasible strategy by many participants.

**Strategic or reactionary adjustments**

Some changes were more strategic and part of a larger or longer term strategy, while others were ad hoc or reactionary changes aimed at short-term revenue generation or cost cuts. An adjustment might be used for a combination of purposes. For example, advertising may be used to ‘get people through the door’ (i.e. short-term, reactionary goal) and to win new market share from competitors (i.e. long-term, strategic goal). Employers adopted the following approaches:

- **Strategic changes**—these changes were directed at consolidating relationships with existing clients/customers, strengthening market position, diversify offering and operational changes to improve efficiency on an ongoing basis. The enterprises implementing these changes tended to be larger and
more diversified to begin with. Operational changes falling into this category were generally seen as beneficial in the mid to long-term and participants indicated they are likely to be maintained in 2010.

- **Ad hoc changes**—these changes were directed at maintaining profit levels or minimising the decline in profit that resulted from a drop in revenue. This was achieved through short-term revenue generation or cost control adjustments.

**Ease of implementation and severity of impact**

Some strategies were preferred over others as they could be easily adjusted for immediate effect and would often have minimal negative consequences for (permanent) staff, customers, and competitive market position. Adjustments to reduce costs were more routinely the first areas of adjustments made by business, as they were seen to be less severe. The quality of services to customers, however, was a key issue for many business owners, and protecting customer loyalty and market position were important considerations. Adjustments that negatively affect staff (with the exception of management of casual hours) were seen as more severe. In particular, redundancies were avoided wherever possible, although they were necessary for several businesses in the first phase of the research. Table 2 summarises the full range of strategies used by participants to adjust business operations with examples of specific adjustment variables; perceptions of ease of implementation; and views of the severity of such adjustments on the business. Three categories are used to group strategies:

- **Easier**—relatively easy to implement, generally immediate and shorter term.
- **Caution**—more/much consideration goes into implementing these adjustments due to impact on staff, customers, quality or market position.
- **Severe**—extreme adjustments, generally negative consequences, short-term for business survival.

Detailed illustration of adjustment strategies are presented in subsequent sections of the report.

**Table 2: Adjustment strategies and ease of implementation/severity of impact on business**

<table>
<thead>
<tr>
<th><strong>Wage bill management</strong></th>
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</thead>
<tbody>
<tr>
<td><strong>Easier</strong></td>
</tr>
<tr>
<td>Decrease hours or shifts of casual staff</td>
</tr>
<tr>
<td>Reduce number of casual staff per shift/per task</td>
</tr>
<tr>
<td>Casual staff finish early when business is slower</td>
</tr>
<tr>
<td>Reduce overtime/shifts with penalty rates</td>
</tr>
<tr>
<td>Hiring freeze/no replacement positions</td>
</tr>
<tr>
<td>Diversify roles, work intensification, increase work outputs of permanent/salaried staff</td>
</tr>
<tr>
<td>Owner personally works an increased number of hours or extra shifts (e.g. Sunday shifts) to offset reduced staffing or to avoid penalty rates</td>
</tr>
<tr>
<td><strong>Caution</strong></td>
</tr>
<tr>
<td>Wage freeze/hold back planned pay rises</td>
</tr>
<tr>
<td>Use junior staff (junior rates) rather than senior staff (adult rates)</td>
</tr>
<tr>
<td>Reduce large numbers of or all casual staff</td>
</tr>
<tr>
<td>Reduction of pay for staff paid above minimum rate</td>
</tr>
<tr>
<td>Apply junior rates for staff under 21 years</td>
</tr>
<tr>
<td>Pay newly hired staff at minimum pay rates</td>
</tr>
<tr>
<td>Direct permanent staff to use leave credits (annual leave, long service leave)</td>
</tr>
<tr>
<td>Severe</td>
</tr>
<tr>
<td></td>
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</table>

### Workforce management, productivity and efficiency strategies

| Easier | Decrease expenditure on training/skills development |
|        | Implement/increase reward for good performance, bonus for KPI, commissions |
| Caution | Invest in training, equipment, or software for more efficient techniques for delivering service/ manufacturing product/delivery outcomes in less time |
|        | Change shift structures, make-up and length, change overall process for delivery (fewer people, longer or short shifts, multi-skilling etc.) |
|        | Job redesign and change workforce structure hire/retain experienced/skilled workers rather than lower skilled positions; further diversify tasks; multi-skill for overall fewer staff |

### Broader business strategies to reduce costs or manage cash flow

| Easier | Postpone non-essential tasks |
|        | Postpone new equipment (capital) purchases |
|        | Reduce input expenses (raw materials) |
|        | Renegotiate contracts/change suppliers |
|        | Reduce travel costs |
|        | Reduce consumables and amenities |
|        | Review frequency of ordering inventory |
|        | Reduce orders/cut stock |
| Caution | Reduce business offering (drop less profitable offering) |
|        | Change/reduce operating (opening) hours |
|        | Renegotiate rent/change premises |
| Severe | Reduce service delivery/lower quality of service |

### Strategies to maintain custom or increase revenue

| Easier | Marketing—advertising, campaigns, promotions |
|        | Bonus deals, extras and free ‘add-ons’ |
| Caution | Review customer payment terms |
|        | Hold back/don’t pass on planned price increase |
|        | Diversify business offering/expand into new areas or products |
|        | Adjust prices to match competition |
| Sever | Price for loss-making scenario to retain customers in short-term |

The types of variables adjusted in response to declining revenue are similar to those typically implemented by participants in response to an increase in operating costs. However, in the face of rapidly declining revenues the way that businesses implemented these adjustments varied considerably to how they would be used in response to an increase in costs. The most notable differences observed relate to:

- **Cutting ‘harder’**—making staffing adjustments and introducing multiple adjustments, including more severe measures such as staff redundancies. These strategies were generally temporary/short-term.
• **Focusing on reviewing operations**—making efficiency gains and increasing productivity with fewer staff. Many of these strategies were originally short-term measures, but would be maintained longer term.

• **Using strategies targeting revenue**—making dramatic pricing adjustments was more common. Businesses had been operating in very stressful circumstances: several recounted experiencing loss-making periods where they adjusted prices to maintain some revenue and longer term viability (i.e. once they ‘got through’ the challenges). These price decreases were short term, and as reported in section 3.3.1, some had already been readjusted.

Across all industries, there was evidence that the decline in business performance experienced by participants as a result of declining revenue had been a catalyst for a more significant review of business operations and strategy over the downturn. Many employers reported making fundamental changes to business operations, particularly where business viability was threatened and significant adjustments were required. Overall, adjustment strategies involved implementing multiple adjustment variables, either concurrently or sequentially. These strategies were aimed at both cost control and revenue generation, either concurrently or sequentially.

Following the downturn period, strategies will be further reviewed and adjusted in response to improved conditions in the future. For many participants, the downturn was the impetus to address efficiency problems that had persisted in their business for some time, and they felt they were now in a better position for having addressed these issues.

The downturn also compelled many businesses in the research to pay closer attention to cash flow. Employers indicated that they were retaining the improved cash flow strategies they had implemented during the downturn. Some even reported improved profitability due to sourcing cheaper substitute products from abroad, or investigating higher margin products:

> ‘I think we’ve probably gotten a little bit smarter … with our pricing, just in terms of when we are buying the merchandise … because we go overseas and place orders in China … ’ [Employer, medium, Retail, Adelaide, Phase 2]

Some employers considered cost cutting strategies (particularly those affecting staff, and to a lesser extent pricing strategies) short-term measures and were beginning to modify or reverse changes they had implemented during the downturn. Typically business performance was considered sufficient to justify reversing their cost-cutting strategies when demand (sales, orders or forward bookings) had returned to a minimal level to sustain the number of staff or justify a return to higher prices and/or a reduction in sales discounts:

> ‘The changes were intended to be short-term, to get us through the crisis. Over time the changes have slowly been dropped off and things have returned to normal.’ [Employer, small, Manufacturing, Adelaide, phase two]

### 3.3 Revenue

Many participants reported implementing strategies to maintain revenue (the dollar figure) through an increase in the volume of sales/customers or through the generation of new revenue streams. Revenue-related adjustments used by employers in this research include bother shorter term strategies and those aimed at longer term or more sustainable revenue streams:

• **Short-term revenue streams**
  – increasing marketing/advertising
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- decreasing prices/decreasing sales
- putting items on sale sooner/faster than usual
- offering discounts/bonus deals/special promotions
- offering extras—‘complimentaries’/‘add-ons’.

**Longer term/more sustainable revenue streams**

- direct targeting of competitor customers
- diversifying business offering to attract new customers
- developing new product/s or entering new markets
- pursuing government contracts for new revenue/secure revenue.

Typically, adjustments aimed at increasing revenue were implemented in conjunction with advertising and promotion. Importantly, these adjustments incur a cost to the business to implement and may not be an option for all businesses in this research, particularly the businesses struggling to remain viable.

Generating new revenue streams involved diversifying the business offering. Typically, the businesses in this research with greater diversity in their existing offering or a flexible business model, which could be adjusted more readily, were more easily able to increase revenue streams. Generating new revenue streams involved multiple changes and often creative ideas or new ventures (albeit in a tight cost control environment):

‘The commercial construction area (this includes the supply of product to the residential and commercial building markets) of manufacture decreased by 16 per cent over the past year. Profit levels and revenue decreased at a higher percentage—around a 22 per cent drop in revenue as we had to absorb any material price increases due to AUD weakness for materials purchased in USD. This is incorporated into our product to remain competitive in this market against other suppliers. We started to look at new product development to supply value-added products at a higher margin. This allowed us to sell a particular product at a higher margin. This also enabled us to install another manufacturing line to produce this product.’ [Employer, small, Manufacturing, Perth, phase one]

‘We are hoping that a recent diversification in services will continue to grow and expand. So we're very hopeful for the next 12 months.’ [Employer, large, HCSA, Perth, phase two]

Some participants commented on the downturn prompting an evolution of how they attract and retain customers/clients as a result of this forced review of processes. While many were seeking to return to the models, price points and processes of previous years, the adjustment strategies implemented were sometimes seen to deliver an improved business model and alternative processes for generating more revenue in future:

‘The business slowing down has enabled me to run the hotel a lot more efficiently and get back to communicating with my clients and [to be] able to get out there and try and gain more business for the future.’ [Employer, small, AFS, Brisbane, phase one]

### 3.3.1 Pricing decisions

Price was a key adjustment variable used by many participants to maintain business viability during times of decreased performance, particularly over the downturn period. The level of industry reliance on price was a key factor in price decisions. Changeable local economic conditions also influenced price fluctuations and was driving price competition. Pricing decisions were also greatly influenced by the
position of the individual business in the market and the owners ability to maintain competitiveness through adjustments other than price adjustments.

Some participants who had adopted strategies for the short-term (to remain viable through the period of reduced demand) were already considering or implementing adjustments to prices and removing special promotions when this research took place, as sales were seen to be turning around. By the time the second phase of the study was completed, it was not yet clear that many employers had done this, beyond raising prices to avoid loss making scenarios experienced at the height of the downturn. Many still indicated a sense of confinement with their pricing, such that what they charged was dictated by factors outside their direct control. Overall, sector-specific factors such as competition, regulation, or what buyers were willing to pay influenced employers approaches to price-setting.

**Flexibility in pricing**

In the Retail and Accommodation and Food Services industries, employers almost invariably mentioned adjusting prices on an ongoing basis to mediate demand. Price adjustments (increases and decreases) were seen as a regular part of business operations and monitoring prices against (local) competitors was a common undertaking. Prices, sales extras or promotional deals were easily introduced with no industry structures such as regulation or funding models influencing price levels or business parameters prohibiting fast implementation. These were frequently mentioned as a way of increasing turnover and thus maintaining viability, even if overall profit margins were reduced as a result.

While pricing movement was common, this was most evident in discussion of adjustment strategies employed in response to declining revenue and there was widespread evidence of under-cutting competitor pricing as a means of driving a higher volume of sales and maintaining competitiveness in ‘price wars’. These pricing adjustments were made both directly (through price decreases), and indirectly (through sales and promotional ‘added extras’). While seen as a ‘necessary’ measure to maintain turnover, price-cutting was reported to have considerably eroded the profit margins of many businesses caught in such heavy competition. While profit on particular items may be down, unless this loss could be recouped from other areas of the business, this adversely impacted overall profit. Only businesses with a diverse offering were able to cross-subsidise business areas or items in this way.

In the second phase of research, there was still a belief among participants—particularly in the Retail industry—that buyers remained very price-sensitive:

‘... since we’ve been putting a lot more stock on sale we’ve been doing a lot better. People seem to be going more towards the sales stock.” [Employer, medium, Retail, Adelaide, phase two]

In contrast, pricing was evidently not as flexible for employers consulted from other industries and sectors. In the community services sector, government regulations were a key determinant in pricing decisions. Directly, the level of government subsidy had, anecdotally, a flow-on affect to price-setting. Indirectly, other regulations affecting business costs, for example staff-to-child ratios in childcare, were mentioned as factors in price-setting. Several employers in this industry scheduled price increases, typically on an annual basis, to account for changes in wages and other costs. Most businesses in this industry thought service quality had a greater influence on demand than pricing, and several justified charging a price premium on this basis:

‘I try to keep in line with other services when setting fees; however, I charge more than others because I provide higher staff: child ratios. It is entirely up to [me] (or any childcare provider) to set fees.’ [Employer, small, HCSA, Sydney, phase one]
‘All fees, except for the amount of accommodation bond, are set by the Australian Government. There is little room to vary the prices in aged care.’ [Employer, medium, HCSA, Sydney, phase one]

Businesses in the Manufacturing and Administration and Support Services industries were also unlikely to adjust prices in response to pressures on the business. Many businesses in these industries sold direct to other businesses, with prices often set for the life of a contract. As in community services, quality of service or product were often used to justify a price premium. Nonetheless, there was some evidence of discounting or holding back planned price increases during the downturn to maintain existing clientele:

‘Traditionally our prices went up every year—this has not occurred in fear of losing already struggling customers.’ [Employer, small, Manufacturing, Perth, phase one]

The perceived degree of competition for similar products or services was the main factor influencing perceived control. Employers with a similar offering to that of their competitors had vastly different perceptions of control to employers who felt they had an offer that was easily differentiated or unique. For example, employers in a childcare centre that differentiated itself on service and a retail store which sold its own brand of clothing felt control over pricing.

In contrast, businesses with little or no opportunity for differentiation in the market noted that customers are very sensitive to price, particularly in the current economic circumstances, and would seek lower prices elsewhere if businesses did not offer lower rates:

‘It is very slow at the moment, people are looking for a bargain and they will search for something even if it means saving $5, they will get it. We still have to offer low rates and ‘complimentaries’. But December and January are always our slowest months.’ [Employer, small, AFS, Brisbane, phase one]

Even for businesses with more stable positioning in the market, perceptions of customer and client loyalty also influenced pricing strategies. To maintain customer loyalty, and in turn protect market positioning for the longer term, some businesses had postponed planned price increases during the downturn or extended more favourable payment terms to clients as a gesture of goodwill:

‘We have allowed longer payment terms to our regular clients ... we have found that this has been very appreciated by our clients. We would rather have the work than lose the clients in this economy.’ [Employer, medium, Manufacturing, Melbourne, phase one]

By the second phase of the research, some employers had passed on a price increase held back during the downturn. Most employers indicated that they would not be increasing prices in the near future in order to increase profit, rather, any price increases would be a result of passing on unavoidable costs (e.g. wages, inputs and the like) in order to maintain profits while balancing and maintaining competitive position in the market: ‘Our only change was to increase the sale price of our imported parts, therefore a minor increase to the cost of our end product. These increases were minimal and people were still prepared to pay what we were asking.’ [Employer, medium, Manufacturing, Adelaide, phase two]

### 3.4 Operating costs and cost control

Generally businesses in this research focused on cost control on an ongoing basis with varying levels of regularity or sophistication, depending on their management style or business model. For example, ‘planners’ typically review operating costs regularly, either yearly, twice yearly, or quarterly. Costs were very tightly managed by many businesses across all sectors, but more significantly during the downturn.
3.4.1 Labour costs

A range of strategies including labour cost management were used by employers to respond to declining business performance. Many employers viewed labour cost reductions as a viable response to declining revenue and sought to achieve these reductions through strategic staffing decisions including decreasing hours, managing rosters to minimise overtime or adjusting the workforce profile. Reducing numbers of permanent staff was viewed as a severe strategy and employers were mindful of the impact of redundancies.

Many employers viewed labour costs as a more flexible input than other overheads. This was most apparent in the adjustments employers had made during the economic downturn, where the wage bill was typically the first target for cost control. This was particularly evident in the Retail and Accommodation and Food Services industries. However, several employers noted that a reduction in labour costs could impact on the quality of product or service, and as such, adjustments to labour costs were generally made with close reference to levels of demand. The most common strategy for reducing labour costs was reducing the number of casual staff per shift, often combined with implementing shorter shifts/ minimal shift hour lengths.

Several employers had reduced staff numbers through attrition, but there were few reported instances of redundancies. Employers viewed a reduction in hours offered to casual employees as preferable to cutting staff numbers. This was partly motivated by concerns for employee welfare, as well as by a desire to retain staff given uncertainty over when the demand for labour might return. Employers believed that employees would understand the reason for this measure, and would not be motivated to seek employment elsewhere:

‘Most of them were okay about it, because I think it was more of a case of they’d rather have a job than not have a job.’ [Employer, small, Retail, Melbourne, phase one]

Business owners who had already experienced an increase in demand were already taking advantage of the ease with which they could now return to a larger labour supply, giving more work hours or re-employing casuals who only had minimal shifts, if any, during the downturn:

‘Our company did a 10 per cent reduction in wages. We reduced our 10 per cent working hours and our 10 per cent salaries for six months … we all got a nine day fortnight and did that … it’s being reinstated as of January now.’ [Employer, micro, ASS, New South Wales, phase one]

In the second phase of the research, a few employers indicated that staff had become accustomed to the reduced hours, and actually preferred these arrangements. One such example was with nine-day fortnight arrangements:

‘Staff did query the nine-day fortnight, but over time they have come to like it and now prefer to take the day off rather than work when offered.’ [Employer, micro, HCSA, Perth, phase two]

While overall the employee research found underemployment remained prevalent and many employees needed more hours in order to meet financial obligations, some employees welcomed a shorter working week. This was particularly the case for those with family responsibilities and students who balanced trade offs with income for time and lifestyle (see section 4.5 for discussion of strategies for managing changing incomes and meeting costs of living).
3.4.2 Other costs

Overheads, including rent and utilities were generally viewed as non-negotiable expenses, though a few employers did speak of negotiating rent, or considering a move to cheaper premises. The main exception was controlling inventory levels, which many employers had adjusted in response to falling demand. Businesses noted that they would regularly adjust costs when necessary and feasible. During the downturn, this was an area of increased focus aimed at minimising pressures on profit and to maximising cash flow:

‘We also started to look at all inputs to reduce manufacturing costs and decrease waste spend. This included all raw materials, labour, energy and consumables.’ [Employer, medium, Manufacturing, Perth, phase one]

Examples of non-labour cost adjustments implemented by participants in this research included:

- reviewing and increasing or decreasing frequency of ordering
- reducing level of orders
- reviewing or changing suppliers
- renegotiating contracts for new deals/prices for inputs
- reviewing/cutting back on consumables or amenities
- reducing travel costs
- reducing use of non-essential services and utilities/reducing service bills
- reviewing and tightening credit and client payment conditions
- closely monitoring all spending.

Cash-flow management became increasingly important, as revenue and cost control worked together for business owners feeling pressure on several fronts:

‘We saw significant blowout in debtor collections from something like 45 days to 60 days. That had a significant effect on our cash flow. We didn’t sack anyone but got close. We needed to alter our overdraft arrangements with the bank. We tightened credit control. We managed spending very tightly.’ [Employer, small, ASS, Melbourne, phase one]

In both phases of the research, there were some businesses returning to restocking inventory following signs of recovery in their business, and showing preparedness to invest, albeit cautiously, in the future sales they were now anticipating or already had booked. Again, some businesses had made changes they felt were useful for future business operations and were therefore intending to keep, for example, for better cash-flow management:

‘We did cut back on our ordering, and just ordered for one quarter at a time, rather than large orders (e.g. carton boxes, shrink wrapping), that would absorb large cash flow unnecessarily … larger volume is more effective for unit pricing benefit, but I think I will still set quarterly ordering only for cash-flow efficiency in the future.’ [Employer, micro, Manufacturing, Melbourne, phase one]
The degree of control that employers felt over the cost of inventory varied. Some felt they could switch or negotiate with suppliers with relative ease or make adjustments to their supply chain in order to reduce costs. In contrast, others felt that they were unable to source inventory at a lower cost. Competition also influenced wholesale prices and purchasing power:

‘Now I get discounts ... because I order online. So I can pre-order for a few weeks and get the discounts, yeah. With other stuff, I’m always looking for the special offer when I’m buying and I will buy up on the special just to save costs.’ [Employer, small, Retail, Queensland, phase two]

3.5 Productivity, efficiency and work design

3.5.1 Importance of labour productivity

Most employers who had experienced a decline in revenue had attempted to increase productivity in order to maintain profit levels. While productivity was observed to be an important business factor for many employers, it was the threat to business viability during the downturn which had prompted them to examine operations closely and seek to ‘do more with less’. In contrast, employers less affected by the downturn did not, for the most part, mention making changes to increase productivity.

The method by which productivity was measured varied, as did the frequency with which it was monitored. These differences were largely attributable to the industry and relevant metrics for output, where, for example, ‘sales targets’ were mentioned in Retail, ‘production targets’ in Manufacturing, and ‘happy clients’ in the community services sector. Employers with specific productivity metrics appeared to monitor these more closely than those working with indirect methods (e.g. childcare enrolments). At the most extreme, some employers monitored productivity on a day-to-day basis. Set productivity goals appeared to play a significant role in guiding decision-making for these employers, with evidence that some had expressly appealed to staff or sought to manage staff more closely in order to maintain productivity and business viability during the downturn:

‘We have to pay the same wage costs regardless of productivity and it is up to us to constantly drive the staff and check outputs throughout the day (at set times) to ensure daily expected targets are met. [We] made core full-time work as hard as possible and explained to them we need to be a viable business so that we can remain in business in order to offer them a job.’ [Employer, micro, Manufacturing, Melbourne, phase one]

Approaches taken by participants to increase productivity included a range of strategies; however, productivity levels were described by most employers in terms of output according to labour costs. In monitoring output to labour cost, non-labour factors influencing productivity were also considered, though these factors received little comment from participants.

3.5.2 Productivity through staff selection

For many employers in this research, workforce structure and staffing choices were the most significant aspects of maintaining productivity in their business. Discussion mostly focused on the relative benefits of hiring skilled versus unskilled staff, including the use of juniors versus senior staff. For some employers, juniors were seen to offer the same output at less cost, while others saw drawbacks, in terms of not being able to entrust them with the same degree of responsibility, and potential limits in extending them to work across the business on multiple tasks:

‘Now it’s the school holidays so I’ve got juniors I can use, utilise, for cheap— I’ve got a 15-year-old coming in for three hours today, that costs me about $27, whereas for an adult that would cost me $60.’ [Employer, small, AFS, Queensland, phase one]
While skills and experience were factors, work ethic and value to the business in the longer term were also considerations when determining which individuals would be used in which roles. Some employers reported that the need to downsize or reduce hours had allowed them to ‘weed out’ less productive employees.

### 3.5.3 Encouraging greater productivity

In addition to choosing the ‘right’ staff, many employers used incentive strategies to increase performance and encourage competition. Financial rewards such as commissions and other bonuses were used to encourage employees on an ongoing basis and to reward employees if sales targets were exceeded.

One-off prizes such as ‘employee of the month’ awards or free merchandise were also mentioned. Several employers had given voluntary pay increases to highly productive employees; this was usually articulated as a method of retaining or ‘doing right’ by good staff. For some employers, these strategies were further motivated by the belief that high levels of staff morale would result in greater levels of productivity.

### 3.5.4 Work redesign for greater efficiency

In some businesses, reducing the hours of casual staff resulted in increased workloads for remaining staff, and the need for greater work effort or efficiency in managing and delegating tasks. Where employers had implemented hiring freezes or no-replacement policies in the event of attrition, changes involved increased work effort, as existing workloads were spread across fewer staff. Other changes involved direct and deliberate adjustments to operational models and staff structures by reviewing and redesigning work roles, tasks and hours or work. Often the more highly skilled or more productive employees were retained in this process of work redesign. Examples of redesign include reducing the time allocated to complete projects, increasing the lengths and make up of shifts, and reducing headcount by using only more highly skilled employees:

> ‘We made [deadline times] shorter and therefore halved [the number of] employees we would usually dedicate to each job. The change improved productivity which in turn kept our profits in the same vicinity as the year before.’ [Employer, small, ASS, Sydney, phase one]

> ‘We restructured our shift patterns to allow for better production efficiency. We went from a three-panel, eight-hour shift arrangement to a four–panel, 12-hour shift arrangement.’ [Employer, small, Manufacturing, Perth, phase one]

> ‘Generally employers are looking to employ more skilled workers; it costs more but greater efficiency and hopefully productivity results … In response to a divisional review to decrease revenue, I implemented a review of staffing within the finance team to move from unskilled to qualified finance staff and save one FTE in the process … [This was] aimed as a long-term efficiency gain. [It's] proven to be extremely effective and maintained.’ [Employer, medium, HCSA, Adelaide, phase one]

While initially driven by the need to protect business viability, most employers who had adopted these strategies had seen productivity and efficiency benefits, and intended to maintain the operational model in the longer term to continue to realise these efficiency gains.

In addition to changes employers had introduced, employers generally observed that staff increased their work effort to ensure their own incomes. This was something employees attested to—they drew direct links between business performance, their own productivity, and the security of their employment and income. Few employers noted any ‘backlash’ in terms of negative sentiment among existing employees and several noted that employees ‘understood’ the reason behind efforts to increase productivity. This was, however, in contrast to findings reported from some employee participants who, while understanding the need for change, were not always content with their resultant work arrangements.
and the increased pressure in the workplace (see section 4.2 for discussion of changes to employment arrangements):

‘Cutting back on staff hours was effective for us. In our quietest period, the staff weren’t needed and we needed to save where we could … I did notice that staff were working harder, and looking for work to be done and pushing sales. They didn’t want their hours cut and knew they had to work for their money.’ [Employer, small, Retail, Sydney, phase one]

3.5.5 Training to increase productivity

Training for greater productivity was also evident in some workplaces. This included training to support changed processes or more diverse roles and responsibilities, as well as general approaches for ‘working smarter’ and using better or more effective techniques to perform tasks and achieve greater output in return for effort:

‘The best change was to really provide some expert training so that there was no excuse to (not) be performing. This had a great impact in regaining their confidence and generating more sales.’ [Employer, medium, ASS, Sydney, phase one]

See section 3.6.2 for further discussion of approaches to training.

3.6 Workforce management and development

3.6.1 Workforce structure

Approaches to workforce structure varied with business managers’ attitudes to staff management together with the needs of the business at any given time. The considerations influencing decision-making included operational needs, the level of importance placed on service quality, government regulations and employee preferences. The most common strategy considered was the use of casual labour. Differing operational needs were largely reflected in preferences for casual versus permanent staff. For employers in the Retail and Accommodation and Food Services industries, fluctuating levels of demand required flexibility. This was the main consideration for structuring their workforce with significant preferences for casual staff.

Figure 1: Employer views of the advantages and disadvantages of casual work

Employers across all industries spoke of weighing the flexibility of casuals against other concerns, notably a greater sense of stability afforded by permanent staff, extra costs associated with casual loadings, and the preferences of staff themselves. Some employers believed that permanent staff would be more productive; and were likely to approach the job with a greater sense of responsibility. As such, employers operating in industries with more stable demand tended to opt for permanent arrangements.
A number of employers noted that some workers preferred casual work over permanency because of the higher pay rate and the greater flexibility it offered and that this was beneficial to both employers and employees. Several employers sought to retain high performing long-term casuals through the downturn despite the need to minimise wage bills (see later discussion below):

‘Most of the people here are casuals and they’re long-term casuals. They like being casuals. They can be flexible with you ... They don’t have to work the day you say if they don’t want to.’ [Employer, small, Retail, Queensland, phase two]

Specific industry requirements also influenced workforce structures. In the community services sector, government regulations (for example, staff-to-child ratios, or the need for specific certifications) were a key influence. Employers operating in this industry tended to adopt similar structures, characterised by a core of permanent workers with some casual staff as back-up resources.

Across all industries, the level of importance that employers placed on service quality greatly influenced workforce structures. Employers with a business strategy explicitly based on quality of service typically achieved this through staffing. Strategies adopted by these employers included rostering more staff per shift (beyond the minimum numbers needed for operation), or employing more highly skilled or experienced staff.

Many employers reassessed workforce structures during the downturn period. Some had made changes that they intended to keep in the long-term, the most notable being an increase in the number of casual staff employed rather than permanent staff. This appeared to be driven by a goal of ensuring increased flexibility, and in many cases was underpinned by uncertainty about business performance in the coming months. For some employers this has impacted longer term workforce structures which now include some reliance on casual labour even when business performance improved:

‘We changed our structure quite noticeably. We had very little casuals, in fact we would have had three or four casuals a year ago ... [Now] we ... try to make 20 per cent average throughout the stores casuals, to give us that flexibility. Because prior to that all our staff were full-time, mainly full-time.’ [Employer, medium, Retail and Manufacturing, Queensland, phase one]

‘When we had an employee resign this year, we actually saw this as a chance to hire some more casual and contract staff and this gave us the opportunity to increase and decrease staff in accordance to the ebb and flow of the work ... these were meant to be short-term changes; however, we see the benefit of having casual staff and a team of contractors for when our clients have larger needs ... the overheads of full-time staff in such an economy is risky.’ [Employer, small, ASS, Sydney, phase one]

Many businesses in this research had made changes to their workforce structure in anticipation of declining business performance during the downturn, though some later found that their revenue levels were not affected to the degree they had anticipated. Whether a business had reversed any of the changes they had made depended on the participants’ current and future outlook. For employers who had experienced a neutral impact it was business as usual although some businesses that had made cuts to salaries and headcounts were planning reparative action:

‘We reduced every cost we could. We reduced our headcount and implemented a compulsory 20 per cent salary reduction of all staff. We also offered a nine day fortnight for further 10 per cent reduction is salary and increased our marketing activity. The 20 per cent salary reduction was reduced to 10 per cent, and it’s looking as though we will return to full salaries from 1 April [2010].’ [Employer, medium, ASS, Queensland, phase one]

A few employers who had seen positive effects were planning expansions and the restoration of any staff benefits that had been cut.
In early 2010, some employers were still talking about maintaining the reduction in their wages bill by continuing to use juniors in place of adults, a new strategy for them:

‘I had senior staff. I had adult wage staff before who left so I’ve replaced them with juniors … I get two for [the price of] one … I’ll keep to the juniors for now.’ [Employer, small, Retail, Queensland, phase one]

Despite the increased confidence, some employers reported that they would likely retain changes they had made to employment arrangements and rostering in attempting to weather the downturn where the changes had a positive effect on business performance:

‘These changes were meant to be short-term [but] … they have been effective and I can see the advantages of maintaining some of the improvements long-term, such as having less casuals but having them in for longer hours.’ [Employer, small, AFS, Melbourne, phase two]

### 3.6.2 Training and skills development

Most employers in this research offered employees training at some point during their employment. There was considerable variation in the level of formality, as well as in the role training played in the business employment strategy. The likelihood of employers investing in training was closely related to their expectation and experiences of staff turnover. Many employers linked training opportunities to staff retention. Those who expected a high degree of workforce transience typically preferred to hire experienced workers requiring little training:

‘We want only people already highly skilled at this time as we have no time to train them due to the fact that we get busy and there is no time to train a new person.’ [Employer, small, AFS, Sydney, phase one]

Some employers in this research chose to employ unskilled workers as a means of minimising wages costs, regardless of any effect on productivity:

‘We would like to have skilled employees straight away but [they] do ask for higher wages. So we generally use lower skilled people for this reason.’ [Employer, small, ASS, Perth, phase two]

‘We rely on a good mixture of skills and experience, a few unskilled juniors helps keep the cost of labour manageable and can do jobs such as stocking shelves, cleaning, and using the tills. Whereas higher skilled employees who cost more are able to give better customer service. Hence, [with] experience they are more knowledgeable and can offer a complete health care solution resulting in a more positive experience for the customer, better sales for the business and more loyalty to the store.’ [Employer, small, Retail, Perth, phase two]

Another motivation for hiring unskilled or lower-skilled workers was to ensure that they were trained specifically for the requirements of their workplace:

‘[I] would prefer “organically grown” labourers, i.e. they come to us unskilled and we train them up to become operators over a period of time. [Employer, small, ASS, New South Wales, phase one]

**Employer attitudes to training**

Attitudes to training and skills development varied considerably across workplaces. Many employers considered training purely from a business-centric viewpoint, i.e. it was necessary for the business, rather than as a means of staff development. Many of these employers did acknowledge that training could also aid in the retention of workers.
Some employers felt that training could be a ‘double-edged sword’ in that as an employee’s skill level and, subsequently their value to the business, increased these transferable skills made them more attractive to competitors and there was a risk of losing them.

Highly regulated businesses, such as finance, favoured a workforce development approach to training. This generally involved hiring young employees as trainees (traineeship programs) and progressing them on a long and extensive product training program where they would eventually become, for example, a home loan officer. This was favoured and necessary due to the difficulty of recruiting replacement staff with a similar level of knowledge about the employer’s product. In this instance it was more cost effective in the long-run to foster development of existing employees than to bring in a skilled person from outside the organisation as they would still have to undergo detailed training to become familiar with the products.

Some businesses used formal training mechanisms as a means of acquiring skilled workers. This tended to occur in businesses employing people in areas of traditional skills shortages, such as childcare workers and tradespeople. These employers believed this investment would pay off in the long-term, through developing a skilled employee who would (hopefully) remain loyal to the business:

‘Firm believer of employing apprentices in the core trade (mechanical/electrical) as they tend to stay around for the long haul, and as they grow up with the plant they have a more intimate knowledge of the factory.’
[Employer, small, Manufacturing, Perth, phase two]

‘Yes, whilst all staff are qualified, our industry provides many other formal training arrangements. I employ a school leaver each year and provide on-the-job training and have so far retained 50 per cent of trainees—one of whom has since become the director of the centre.’ [Employer, small, HCSA, Sydney, phase two]

**Employee value and investment in training**

The attitudes of employers in this research to training and skills development was related the skill requirements of the occupations and particular tasks to be undertaken in the workplace, but also to their approaches toward structuring and managing their workforce. For example, a workplace with lower skill tasks to perform or with a large proportion of transient workers will generally have limited investment in training, will pay minimum rates and will often have and expect high staff turnover. At the other end, a workplace requiring extensive knowledge or specialist expertise would regard training as a necessity and consequently pay a premium to skilled staff to support stability and future growth of the company.
Figure 2: Perceived value of employees and relationship to training

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<tr>
<th>Value to employer</th>
<th>Low-value employees</th>
<th>High-value employees</th>
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<tbody>
<tr>
<td></td>
<td>• Low-level skills required to perform tasks</td>
<td>• High-level skills and qualifications</td>
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<td></td>
<td>• Low level of trust/responsibility</td>
<td>• High level of trust/responsibility</td>
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<td></td>
<td>• Transient</td>
<td>• Stable</td>
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<td></td>
<td>• Minimum rates of pay</td>
<td>• Often paid more than minimum rates</td>
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<td></td>
<td>• Easily replaced</td>
<td>• Not easily replaced</td>
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<td></td>
<td>• Low investment contributes to, and results from:</td>
<td>• High investment contributes to, and results from:</td>
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<td></td>
<td>↓ High churn</td>
<td>↓ Low churn</td>
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**Employer specific (usually provided internally or on-the-job)**

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<thead>
<tr>
<th>Training</th>
<th>Core</th>
<th>Optional</th>
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<tbody>
<tr>
<td></td>
<td>• Orientation/induction (workplace environment)</td>
<td>• How the business operates</td>
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<tr>
<td></td>
<td>• How to perform duties/essential knowledge to deliver service</td>
<td>• Specialist product/service knowledge</td>
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<td></td>
<td>• OH&amp;S issues</td>
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**Transferable (usually provided externally)**

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<thead>
<tr>
<th>Skills</th>
<th>Qualifications and certifications</th>
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<tr>
<td></td>
<td>• Workplace orientation supporting regulation &amp; governance other industry practices etc.</td>
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<tr>
<td></td>
<td>• Specific skills (e.g., sales/retail skills, stock management, industry product use, dementia care, other technical skills not formally recognised by a certificate or qualification)</td>
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<td></td>
<td>• First aid, forklift ticket</td>
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<tr>
<td></td>
<td>• Accreditations</td>
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<tr>
<td></td>
<td>• Other formal certificates/diplomas/apprenticeships/degrees</td>
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</tbody>
</table>

**Core on-the-job training**

At one end of the spectrum were employers who offered minimal training ‘on the job’, typically as part of an orientation process. This approach was typical of employers of low-skilled or unskilled workers, and in smaller businesses with fewer or less structured management processes. These employers considered training as a means of ensuring employees achieved certain levels of productivity, but did not consider training as an ongoing process, or as important for the long-term development of their workforce:

‘Once you have trained staff the company runs much easier, therefore I can spend my time on other productive matters.’ [Employer, small, Manufacturing, Adelaide, phase one]

‘All the training is done on-site by me. I provide them with block training (i.e. five days with me to learn the goings-on in the hotel) and if they seem to be ok then they work by themselves from then on … I have a procedures manual (which took me three years to do) that [covers] each and every aspect of the hotel.’ [Employer, small, AFS, Brisbane, phase one]
Tailored training for the workplace

At the other end of the spectrum is workplace specific training where business specific information is provided. For example, this may be such that a trusted employee can and may operate the business while the employer is on holiday or sick leave. For some employers, it is not necessary for a worker to have qualifications to be highly valued:

‘Just to work here, it takes two years to learn because there's 6000 [stock] items, so you’ve got to have knowledge of pretty much the whole lot before you can actually be left alone [in the shop]. We’d train people up. We thought things were going beautifully and then they’d disappear. [so now] the guys here are getting $50 a week above award and they’re getting eight weeks [paid] holiday. We haven’t lost anyone in four years.’ [Employer, small, Retail, South Australia, phase two]

Workforce development and filling skills gaps

Some employers in businesses which require higher skilled employees used training as part of achieving a wider goal of employee development. These employers tended to consider training as a means of improving employee productivity through more efficient techniques, as well as a strategy for retaining skilled employees. Some employers also used training to fill specific skills gaps in their workforce on an ad hoc basis:

‘Cross-skilling and project-setting within the team provides progression opportunities for my employees. I have/do provide training to any employee, finance or otherwise, who shows interest/potential in our department’s functions. External training and study support provided if it directly relates to employee's role and is a reasonable cost.’ [Employer, medium, HCSA, Adelaide, phase one]

‘It's really hard to get security guards … that's why we just put all our barmen through a security course because we can't get guards so we just thought we may as well try our guys.’ [Employer, medium, AFS, New South Wales, phase one]

General, transferable skills training

Training that developed general or transferable skills was most often provided external to the workplace and may be employer or employee sponsored. In some workplaces such transferable skills were mandated (e.g. aged care, child-care, finance regulation, first aid), in which case employers encouraged and even paid for staff to undertake the training:

‘Mostly we have people with Cert III, but those who didn’t have it … we’ve put about 15 of them through the Cert III course in the last couple of years … we’ve been able to use some of the government funded training … that's been really good because it's been no cost to us … We've benefited from that too because more and more people have become trained.’ [Employer, small, HCSA, Perth, phase two]

Training provision during the downturn

There were some instances of employers reducing their investment in training as a means of cutting costs during the downturn and persisting to the present time. However, it was noted by other employers that maintaining service quality through training was especially important in an unfavourable economic environment. Where possible, inhouse training was utilised to upskill staff rather than external training to save on training costs:

‘… the pharmacist trained staff members on the topic of eczema and what products to recommend to treat and to prevent eczema and sales for that section increased as a result.’ [Employer, small, Retail, Western Australia, phase two]
In a few cases, training had been increased to advance a business strategy based on service quality:

‘We realised that for us to be competitive we had to pick our service up, and part of the service was the training … that role will stay consistent now. We are actually in the process of getting more of us trained to be trainers, so that we can offer even more training.’ [Employer, medium, Retail and Manufacturing, Queensland, phase one]

### 3.6.3 Recruitment and retention

Both employer and employee participants described conditions of relatively low demand for labour throughout the downturn, but there have been indications that this may be turning around as more employers were talking about recruiting staff. Employers in the study described receiving large volumes of unprompted applications for employment, and receiving numerous applications for any advertised vacancies. This level of supply continued in the second phase of research with some employers claiming they had received anything up to 70 applications for advertised positions.

Among employees, opinions on the ease of labour market entry differed across labour markets. Job security was a salient consideration for employees and risk-averse behaviour was frequently described. Apprehension about obtaining, and importantly, retaining alternative employment led many to compromise and remain in their current position, despite changes to their role and/or employment conditions that may otherwise have prompted them to move on. This was consistent across both phases of the research, with some employees preferring to stay in a ‘comfortable’ job rather than take the risk with a new employer where there was a chance they could be put off if the economy worsened. Employees who worked in retail described how there are very many walk-in job applicants every week, and that made them nervous about the availability of jobs.

Reducing the overall number of staff, putting a freeze on recruitment and reducing the proportion of hours offered to casual staff were common strategies used by business owners to reduce their wages bill and this remained the case in early 2010, with casual staff offering the prospect of greater flexibility in rostering, allowing hours to be customised to suit peak times. However, retaining ‘good’ staff was seen as critical during the downturn as employers were concerned that high-quality employees with specialist skills would not be easily replaced. Consequently, cutbacks tended to target poor-performing or less valued staff.

Employers also acted to keep good staff through measures such as directing staff to use leave credits, changing casual employment to permanent to give them stability, or moving to a nine-day fortnight. In spite of the imperative to have skilled or experienced staff, it was still being reported by some workplaces in early 2010 that if ‘good’ staff left the business they would not be replaced, or would be replaced with ‘cheaper’ labour (i.e. junior/unskilled/casual). This placed existing staff under increased pressure to continue to perform with fewer resources and was seen by some employers in this research, and often by employee participants, to lower staff morale.

Deliberate actions for retaining staff were prominent strategies used by employers over the downturn, with the vast majority of employers expressing a preference for a stable workforce. However, a substantial degree of variation was evident in approaches to staff retention. Stability was seen to affect business performance through reducing expenditure on training new workers; increasing flexibility over work distribution (where experienced employees cover a wider range of tasks); and helping to build relationships with existing clientele.

Active approaches adopted for staff retention included offering training and development opportunities, rewarding good performance with increased wages or other incentives on meeting or exceeding performance targets, and offering across-the-board ‘perks’ such as free lunches or mobile phones. Some
employers used these measures to improve productivity, with staff retention as a secondary goal. Other employers did not have explicit staff retention strategies, but attempted to ensure (good) staff were satisfied. Many employers saw retaining ‘good’ staff as particularly important during the downturn, in order to avoid costs associated with hiring and training staff members, to ensure existing levels of productivity were maintained, and to ensure extra workflow could be easily covered should demand increase.

As businesses began to see revenue increase, albeit not to the previous levels seen in 2007 and 2008, employers began to seek workers to replace employees that had left during the downturn period or more recently. Many who had reduced overall staff numbers through attrition or redundancies had, triggered by an increase in revenue, also hired new employees in the months preceding the first phase of research. However, recruitment intentions remained cautious. While some businesses were looking to expand and had hired new staff, overall, employers generally expressed reluctance to hire many new (permanent) staff due to uncertainty about future business performance. In phase two of the research, some employers were reporting the need to recruit and quite a few had already done so after being prompted by a continued or increased demand for services/goods and/or the need to fill vacancies left by staff moving elsewhere.

A common approach to recruitment was to first look to casual labour to meet increasing demand. This was a risk-management strategy, which allowed employers to maintain flexibility within the workforce (should a return to increased revenue not be sustained long-term). That is, they were cautiously optimistic and not investing in permanent or full time positions (as yet). In some instances recruitment involved recontacting ‘good’ casual staff who had been effectively let go, while in other cases new casual labour was employed. Recruitment decisions varied depending on the employers approach to ongoing staff management and the nature of the labour supply. For example, some employers regularly had high staff turnover for lower skilled positions, which were typically filled by students, and this was part of an ongoing management approach through good and bad times. Others had proactively used the downturn to shed less productive staff. A few employers had experienced significant increases in revenue and were prepared to invest in permanent staff.

Decisions to hire permanent staff varied by industry, level of demand and stability or sustainability of demand. Employer attitudes to casual labour generally also impacted these decisions including varied opinions and experiences with regard to issues such as value for money, levels of loyalty, and work productivity and outcomes. Again, this was still evident in early 2010.

Employers in this research generally displayed a preference toward seeking more highly skilled/qualified workers, because these employees are able to deliver increased efficiencies within their business and they need less training, as well as because of the increased availability of skilled applicants. While many employers reported that given the means and opportunity, they would prefer to fill vacancies with skilled workers, the expense was often prohibitive and claimed their only option was to hire unskilled/junior workers and train them up. It remained the case that the availability of skilled labour was tight in particular occupations/industries in the second phase of the research. However, it was noted by an employer that senior professional workers had and may continue to return from overseas as other markets continued to languish.

Despite the continuing belief that it is an ‘employers’ market’, there was some discussion around the quality of available labour. Many employers asserted that increases in applications came from less-desirable applicants. Again, this came both from direct experience and an assumption that employers would hold on to ‘good’ staff. Similarly, unskilled labour was seen as easy to obtain, whereas skilled employees were considered scarce. Several employers maintained that the skilled labour market remained tight in some occupations, such as childcare workers and tradespeople.
3.7 Wage-setting arrangements

3.7.1 Employer understanding and engagement

Participants in the research displayed varying levels of confidence and familiarity with workplace relations issues and wage-setting arrangements in Australia. Some employers were vigilant, for example, subscribing to 'award alert' services to update them on changes:

Interviewer: 'In general, how comfortable and confident are you that you know what your obligations as an employer are?'

Participant: 'Very. We have up-to-date awards and also subscribe to an award notification company that advise on the interpretation of each award and provide training on understanding of the awards.' [Employer, medium, HCSA, Queensland, phase two]

Others were less engaged with issues and simply 'Googled' information themselves or relied on bookkeepers or other consultants to inform them of changes in their obligations:

'Yeah [I did a search online] and quite a few times it just came up saying pay this money and we'll help you. I thought, no, it's got to be free. I Googled award rates and it came up, but you couldn't actually see the rates. It was very, very hard to get through.' [Employer, small, Retail, South Australia, phase two]

'That's more something that the bookkeeper would be aware of.' [Employer, small, HCSA, Sydney, phase two]

Several participants were members of associations or industry bodies and some of these participants were active in attending training or seeking information:

'We try to keep up with changes to workplace regulations. We belong to VECCI and receive regular updates on wage rates, changes in legislation and often attend their in-house training when significant changes are made.' [Employer, small, Retail, Victoria, phase two]

The varying levels of awareness and activity were associated with differing levels of understanding and confidence about workplace relations issues. Further, the behaviour of employers in managing staff and workplace relations arrangements, including updating wage rates and implementing changes, was influenced by this level of engagement. Some employers felt 'on top of things', while others struggled to make sense of the system and their obligations. A few employers were lacking confidence, either unsure about whether they had accurate sources of information or whether they were interpreting this information correctly. These employers chose to pay workers over the relevant award rate to ensure they avoided having to back pay staff in the event that they failed to implement a wage adjustment that they were not aware of at the time. Others put money aside for back pay debts, particularly in the context of the transition to modern awards (see also discussion of modern awards, section 3.7.7):

'Yes we try to stay up to date with the laws of employment it is hard since the obligations are continually changing.' [Employer, micro, Manufacturing, Sydney, phase two]

'I am pretty sure I am paying my staff the correct rate but to be safe we put some money in our savings account so when we back pay there will be money available.' [Employer, medium, HCSA, South Australia, phase two]

3.7.2 Types of wage-setting arrangements

All employers in this research used awards and/or transitional pay scales to set pay rates for some or all staff. Many referenced a number of awards in setting pay rates across their workforce and some also used...
other industrial instruments including enterprise agreements. The more informed employers (not typical) listed several pertinent awards and used multiple classifications and transitional pay scales to set pay rates across their workforce:

‘Nurses Award 2010; Aged Care Award 2010; Social, Community, Home Care and Disability Services Award 2010 are the three main awards under which we employ staff. The minimum rate is used in accordance with the job description and abilities.’ [Employer, medium, HCSA, Sydney, Phase 2]

‘For our crew they are all on an EBA. For workshop and administration they are on awards, or depending on experience above awards, this depends on the length of service and experience they have. For those on awards, metal workers and SA Clerks awards. Initially when they begin with us they are on the minimum rate. If they are above the award all conditions remain the same for penalty, loading etc, we just pay a higher percentage.’ [Employer, small, Manufacturing, Adelaide, phase two]

There were a variety of employment arrangements and related approaches to wage-setting uncovered in this research. The requirements of the business for skilled, experienced and qualified workers to perform duties were closely linked to the employers’ approach to setting wages and whether they paid award rates or used some discretion to pay above an award rate. Where participants paid a variation above the minimum rate, most did reference an award/transitional pay scale in setting the pay rate, although a variety of other determinants were mentioned (as detailed in section 3.7.4).

3.7.3 Decision to use awards

The rationale for an employer’s approach to workplace relations and in particular, why they used awards/transitional pay scales for wage-setting in their business varied. Some employers found it simpler to stick with what was specified in an award/transitional pay scale, even if they had to reference multiple instruments. Limited knowledge or experience of alternatives and, for some, a lack of confidence or skills to use alternatives, lead some to feel that awards were an easier option:

‘We use award rates for simplicity. It is believed that all employees are happy with this arrangement therefore we have never needed to consider enterprise agreements.’ [Employer, small, Manufacturing, Adelaide, phase two]

‘Because awards are the minimum rate at which you can pay staff. [I] received advice about this from [my] accountant. [I have] no understanding/consideration of other wage-setting methods.’ [Employer, small, ASS, Perth, phase two]

Some of the participants who were paying above award/transitional pay scale rates to certain staff asserted a view that they had discretion to pay beyond what was mandated and exercised a level of control over wage-setting. Other employers had no capacity to use discretion and reported using award rates ‘because I have to’. This was most obvious in child care and aged care, particularly organisations reliant on government funding models.

Paying according to awards/transitional pay scales gave many employers in this research a sense of security that they were ‘doing the right thing’ with regard to legal obligations where they used this to guide their employment behaviour. A few felt this approach provided transparency to employees, particularly where all or most employees were paid exactly at the minimum rate.

There was some level of familiarity and experience with enterprise bargaining and collective agreements. A few employers had an enterprise agreement for part of their workforce. Some had used a collective agreement in the past. There was some reticence from these participants to use this type of arrangement given some negative personal experience in the past. The main issues raised were the time and effort involved in set up, the potential for negative employee relations and raised expectations from employees:
‘I found the enterprise agreement took a lot of money to implement, the employees asked for more items included in the pay, and expected more things.’ [Employer, medium, Manufacturing, Sydney, phase two]

‘Award rates are easier than setting enterprise agreement. Our last EBA expired in 2006, and is still in renegotiations.’ [Employer, small, Manufacturing, Adelaide, phase two]

Overall, the main factors for not deviating from awards/transitional pay scales were incapacity to pay above the minimum rate and a lack of familiarity and confidence with alternatives:

‘Going back in time, before I was a director every place I ever worked at paid by the award. I didn’t even know what enterprise agreements were... actually I still don’t fully understand what they are. I find the award hard enough to deal with. I honestly think the whole enterprise agreement would take too much time and effort.’ [Employer, small, Adelaide, HCSA, phase two]

### 3.7.4 Wage determinants and pathways

Some employers in the study paid minimum rates across their workforce. Some reported that ensuring equity and parity was a priority. A further benefit of the award system was transparency and clarity with regard to pay rates:

‘[Award rate] keeps it even and fair. They are the rates set by this industry.’ [Employer, medium, HCSA, Melbourne, phase two]

‘We have only recently been allocated an award that covers our industry. Although it impacts on services we are glad that it is now in place for many reasons. Firstly it will protect the worker and it will also level the playing field amongst providers.’ [Employer, medium, HCSA, Perth, phase two]

‘I am a bit old fashioned I guess and I find the award to be fairer and transparent.’ [Employer, micro, AFS, Melbourne, phase two]

Transparency consequently discouraged discussion of pay increases outside of this ‘formal’ system, compared to other means of wage setting such as contracts or individual agreements:

‘We use award rates as a good standard to go by. It can avoid problems of people raising issues/questions, and indicates that we are following guidelines.’ [Employer, large, ASS, Adelaide, phase two]

Some employers claimed to be paying minimum rates only as the business could not afford any variations above this:

‘[I] pay minimum rates in order to be financially viable. [We’re] operating in a very competitive industry, and badly affected by the downturn, so very price-conscious.’ [Employer, small, ASS, Perth, phase two]

It was common among employers in this research to use discretion when determining pay rates. Certain employees or roles in the business had wages set at an individual level and others were paid what was set out in the award/transitional pay scale:

‘Pay and conditions are set based on type of work/skills/performance and “market rates”. For entry-level unskilled workers, where we will train them to achieve higher skills, we will start the employee based on the appropriate award for the task. However, as skills and training are enhanced they are provided increases above the award. Apprentices and office juniors are paid as per the award—however once their apprenticeship is complete they are paid well above award. Both these categories are structured and uniform and set according to meeting training and performance objectives. Supervisory, management, sales/administration and professional staff are paid according to the employee characteristics, performance and going market rate for
similar positions. These positions are variable and reflect on the employee’s performance, tasks, efforts and achievements.' [Employer, small, Manufacturing, Perth, phase one]

The employees that participated in this research paid at the relevant minimum rates were generally the ‘unproven’ employees, or workers who required training. These employees were typically juniors, apprentices, graduates, new starters and trainees. Once they had demonstrated value to the business and commitment to the job, employers often increased their wages beyond the minimum: ‘Because they are put on a trial basis, when they can prove they are capable of doing the work, the rates can be discussed further. Work performance, skill, attitude, hard work, attendance are all factors we take into consideration when paying above minimum levels.’ [Employer, small, Retail, Sydney, phase one]

This method of setting wages did not always lead employers to increase wages beyond the minimum rate. Employees who were determined to be poorer performing often remained on minimum rates for the duration of their employment. As their worth or value to the business was low, retaining their services was not a priority compared to higher performing and more valued employees:

‘[I pay minimum rates] because I can, because they are easily replaceable unlike the trained [staff]. Also I have to pay them award to balance out the above-award staff’s rates otherwise we would have a chain around the front door. We would go out of business!’ [Employer, small, HCSA, Sydney, phase two]

Some employers in this research rewarded their longer serving and experienced casuals with higher rates of pay but most paid their casual employees minimum rates because of their inexperience and perceived limited value to the business, for example, lesser ability to generate sales to justify higher pay rates. The already higher cost of extra penalty rates associated with weekend rates for casuals was also said to mean over-award pay was cost prohibitive:

‘Only apprentice jewellers and inexperienced casual retail assistants are paid minimum rates. Apprentices are traditionally cheap labour for a business and we stick to this mantra. Casual retail assistants aged over 21 years earn $21 an hour, normal hours and over $31 an hour Sundays. It all becomes too expensive!’ [Employer, small, Retail, Sydney, phase two]

Market rates were also a key determinant for employers who needed to obtain and retain skilled or qualified staff, particularly in areas of high demand due to skills shortages. Many employers reflected on a change in ‘acceptable’ wage rates, and a decrease in market rates accompanying the downturn in the economy. Prevalence of ‘over-award’ payments decreased as a result of pressure on business operating profits. Holding back planned pay rises was an experience commonly reported by employers who were balancing the total wage bill with staff numbers:

‘During the last building boom an unskilled labourer was earning around $40 per hour on building sites … the award was around $18 per hour at the time. With the increased unemployment they have reverted back to award rates.’ [Employer, small, Manufacturing, Perth, phase one]

‘I think the downturn scared a lot of people … Our company did not offer any pay increases this year as they [were] letting people go due to the downturn and people accepted it. Better to have a paid job than being on the dole.’ [Employer, small, Manufacturing, Adelaide, phase one]

Employers in this research generally referenced award classification rates of pay and set pay rates according to the tasks performed, even where they paid some staff above the award rate. Typically the higher-performing employees who started at or close to the minimum had their wages increased as their value to the business increased. Additional pay was afforded to ‘good’ staff who employers wanted to
retain. In some circumstances these above-award payments corresponded with movements upclassifications, with consequential increases in wages, while other employers financially rewarded loyalty, higher productivity and other qualities without moving staff to a higher classification.

The research highlighted that although workplaces varied, three common types of workplaces emerged: enterprises with small proportions of staff on minimum rates, those with a mixed workforce with between 50 per cent and 70 per cent of staff on minimum rates, and workplaces where all employees were paid according to awards with all or almost all employees on the minimum rates. Each type of workplace had different wage determinants and pathways or transitions for minimum wage–reliant employees. The figure below summarises some key characteristics.

### Workplace types and pathways for minimum wage employees

<table>
<thead>
<tr>
<th>Workplace Type A</th>
<th>Minimum rates for entry level/certain roles</th>
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</thead>
<tbody>
<tr>
<td>Small proportion (10–15%) or 1–2 employees) paid award rates</td>
<td>Typically limited career path</td>
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<td></td>
<td>Limited training</td>
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<tr>
<th>Workplace Type B</th>
<th>Two segments of the workforce</th>
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<tr>
<td>Significant proportions (50–70%) of employees) paid award rates</td>
<td>Minimum wage–reliant:</td>
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<tr>
<td></td>
<td>Over-award/non-award:</td>
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<tr>
<td></td>
<td>• Hourly wage</td>
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<td>• Low-skilled duties</td>
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<td>• Production &amp; service delivery</td>
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<td>• Technical duties</td>
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<td>• Supervisory &amp; management</td>
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<table>
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<tr>
<th>Workplace Type C</th>
<th>Workplace Type A</th>
</tr>
</thead>
<tbody>
<tr>
<td>All (or almost all) employees paid award rates</td>
<td>Highly structured or regulated</td>
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<tr>
<td></td>
<td>Career advancement through classifications and qualifications</td>
</tr>
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</table>

**Workplace Type A**

Transition pathways for workplace Type A were often limited. The nature of the roles were support or entry-level and not connected to a clear career path within that organisation stemming from the current occupation (e.g. pay clerks, administration or receptionist roles in smaller manufacturing or service organisations). The pathway to progression in pay rates for these employees was generally through over-award payments, which were typically only paid to exceptional staff the employer was seeking to retain. This often depended on the state of the local labour market as many employees in lower skilled positions were considered ‘replaceable’ by other candidates paid minimum rates.

Skills development (and associated higher pay) was achieved by moving to another employer for better opportunities. On occasion, it was evident that employees also transitioned through skills and training associated with a shift into a different occupation with the same employer. This often translated to higher pay through minimum rates on a new award classification where there is a change in occupation (e.g. office administration staff moving into sales or technical positions.)
Workplace Type B

Type B workplaces generally had two groups of employees: employees paid minimum award wages and employees paid according to alternative arrangements (where awards were sometimes referenced), including base wage plus commissions or individually negotiated above-award wages. Sometimes the distinction was related to length of tenure or perceived loyalty. New entrants, apprentices and casuals would be paid minimum award rates and longer serving staff would be paid over-award rates with somewhat ‘loose’ reference to awards (e.g. for conditions such as leave arrangements). In other workplaces, pathways were greatly influenced by employees’ skills, particularly where higher skilled staff were in demand. Personal investment in skills development outside the workplace and skills that an employee brought to the business were highly valued by employers and financially rewarded through higher wages. In one workplace, there was an EBA for the main ‘crew’ and alternative (over-award or contracts) pay and conditions for senior staff, supervisors and managers.

Career pathways in Type B workplaces were either transitions upward within award classifications or from a minimum award wage to an above-award salary typically through negotiation. Employees may stay for a long period in a lower skilled part of the workforce or may move across the business (change in duties) to progress to a higher minimum award or above-award pay rate, often with added responsibilities or higher productivity/output expectations.

Workplace Type C

Type C workplaces were more structured and transparent about how staff move across or up classifications. A change in role (tasks and duties, responsibilities) and/or increased level of education and qualification was generally needed to increase pay levels and advance in these types of workplaces. In the public sector (where there was no opportunity for discretion in pay), employers in these workplaces used awards and classifications as the sole guide for staff management and career development.

3.7.5 Wage determinants during the downturn

During the downturn, employers tended to commence new staff on minimum rates or did not pass on planned pay increases to existing over-award paid employees. However, only a handful of employers reported that they had reduced the pay rates of employees paid above minimum wages during this time. In general, employers reduced their total wages bill by reducing hours, introducing nine-day fortnights, rostering fewer overtime shifts, using permanent staff rather than casuals for shifts where they would have paid penalty rates, and using junior rather than adult staff to avoid paying higher hourly rates.

Several employers noted that employees had been eager to work overtime when demand for their services was there, or to volunteer for extra hours whenever they were available. Where increases to hourly pay rates have not been feasible, some employers used sales incentives or linked financial rewards to productivity to assist the business and employees to earn more:

‘Some of my employees have asked when they will receive pay rises, but we have increased the commission and incentive plan rather than raise the base rate and the employees have understood and seem content with that solution for the moment.’ [Employer, small, ASS, Sydney, phase one]

With increased competition in the labour market, the reservation wage appeared to have lowered over the downturn as employers returned to lower rates of pay for new starters, given the greater labour supply. Several employees reported willingness to accept an overall lower salary through reduced total hours. Others were prepared to take up jobs on lower rates of pay in order to remain employed. In these circumstances, the minimum rate acted as a guide for employers. Many used it to set the rate of entry, paying no more than this. As such, although not articulated by employers or employees in this way,
minimum rates served as the floor or safety net for a broader range of employees whose bargaining power had clearly diminished in such a market.

3.7.6 Wage negotiation and future adjustments

Negotiations on changes to pay rates and other employment matters, including work hours varied as according to the different approaches employers took to workforce management. Many staff, particularly casual employees, had little opportunity to negotiate or change proposed work structures or job designs which affected their weekly hours or income. However, some employers stated that they collaborated with staff in developing solutions through the downturn period. Sharing the reality of the pressures on the business and appealing to staff to contribute to business viability through working harder, making changes in hours and accepting wage freezes, was seen as a unifying approach with long-term benefits for staff morale:

‘Being inclusive and involving staff in the process of “trimming the fat” or “working economically effective” gave them ownership of the outcome. This then strengthened us as a team.’ [Employer, medium, HCSA, Adelaide, phase one]

‘Our company had always looked after the employees by giving an annual pay increase, even in the low times. So when they were advised there was not going to be a pay increase this year, most got upset and disappointed about that. It affected morale in the short-term only, when most realised it was better to have employment than not they got over it.’ [Employer, small, Manufacturing, Adelaide, phase one]

Across the diverse workplaces included in the research, employer reports of employee expectations about wage rates were varied. In the second phase of the research, the more commonly reported view was that employees were not expecting a pay rise over the medium term. However, there were exceptions.

Employees who experienced pay cuts over the downturn and therefore were looking to ‘catch up’ to previous wage levels:

‘We have had staff on a 20 per cent reduction this year so some are certainly expecting to recoup the difference lost with an increase next year. The majority are aware that this was an unusual event that could not be avoided, and that the approach we took was to save more jobs.’ [Employer, medium, ASS, Brisbane, phase two]

‘Our administration staff and managers expect a pay increase this year, simply because they were only paid the CPI last year, because of tough times. This attitude has come out this year, because the company is in a much better place with a lot of work scheduled, they expect that they will be compensated on not getting a pay increase last year.’ [Employer, small, Manufacturing, Adelaide, phase two]

The other exceptions were employees who were expecting ‘an annual increase’. Employers referred to a ‘standard’ three to four per cent wage increase or ‘CPI increase’, sometimes ‘in line with award rate adjustments’ or the rate increase ‘anticipated by employees’. Most employers were not explicit in describing the driver for the increase so it was unclear in most cases whether employers were referring to the adjustment of minimum wages, an indirect/flow-on effect of minimum wage adjustment or something else such as an EBA annual increase.. These anticipated increases were most commonly reported in workplaces where wages for all employees were set with reference to award rates of pay, sites with highly structured arrangements and/or highly regulated sectors (i.e. sites with many classifications and a more formal adherence to exact award conditions). In these cases, it is most likely that employers were expecting that award rates would increase on an annual basis ‘as they always did’. Where many employees were paid minimum rates, the annual adjustments in these rates were the only modes of increasing wages other than changing classifications and responsibilities:
‘Staff always expect pay increases annually as this is what has been done in the past.’ [Employer, small, Retail, Sydney, phase two]

‘Our organisation is known to generally give pay rises on a regular basis, and it assists us with staff retention.’ [Employer, large, ASS, Adelaide, phase two]

Many employers were unclear about exactly how their business may be affected by adjustments to minimum wages in 2010, though some were anticipating a wage increase. The extent of flow-on impacts or the nature of the implementation of the increase was difficult to determine from the information volunteered by participants. It is therefore not appropriate to draw conclusions about how minimum wage adjustments are implemented for minimum wage–reliant employees and the circumstances where minimum wage increases may flow-on to other award-reliant employees paid above minimum wages. In a few cases though, the implementation of minimum wage increases were identified and illustrated by participants. An example of the flow-on effects of minimum wage increases to other employees (those who were already paid above minimum rates) is noted below:

‘We are definitely expecting an increase of the hourly rate to our employees. If this is not the case and wages were to drop (due to modern award changes) we as a company would not reduce the wages of our employees. We are anticipating only making changes to minimum awards. Whenever a wage increase is released it is always applied to all employees. So for instance, if the minimum wage was to rise by 50 cents an hour everyone would receive the increase regardless of their current pay situation.’ [Employer, small, Manufacturing, Adelaide, phase two]

A significant factor which shaped the expectations of employees and the nature of negotiations in the eye of the employer was the skill level or qualification required to perform a role in business, together with the competitiveness of the labour market. These factors greatly influence the likelihood of negotiation and the magnitude of pay increases in 2010. Highly valued staff an employer wanted to retain, including staff with more experience, at higher classification levels or with higher levels of skill and qualifications were more likely to negotiate and more likely to receive pay increases. Trained staff in tighter labour markets or in sectors with chronic skills shortages were said to be expecting (larger) pay increases. Employers were planning increases for these types for employees and some employers in the research had already awarded increases to these employees:

‘It depends on which staff you are referring to. It is definitely an employee’s market with the early childhood teachers due to the lack of supply of them. They call the shots. [They] tell you what they want to be paid, their conditions of work, how many training sessions they want or they are leaving. On the other hand the unskilled staff are not recognised … and therefore are a dime a dozen … so the employer calls the shots.’ [Employer, small, HCSA, Sydney, phase two]

Employees in this research also reported restraint regarding hourly pay rate increases supporting this view purported by employers (see Section 4.4 on wage negotiation). Employer perceptions of employee satisfaction appeared to be based on the level of complaint or proactive questioning of employees rather than any overt negotiation process. That is, the absence of complaint or questions about pay increases lead employers to conclude that employees were satisfied with the current pay levels.

Performance appraisal and feedback sessions (at times associated with over-award pay negotiations), were more common in workplaces with more structured career paths, including larger workplaces, and workplaces where the manager or owner personally endorsed the benefit of such practices for staff and business growth.

There were many employers in the research who were concerned about wages growth over the short to medium term and who urged wage restraint in what they considered to be uncertain times. Many were
waiting to see how the business performed before making any decisions and anticipated that wages would remain unchanged for some time yet. However, some employers saw the lower market rates as short-lived and expected change (in line with signs of recovery). Some employers had planned for pay increases to be implemented later in 2010 and assumed that employees would be expecting increases:

‘I think this year will be different, most people will be looking for a pay increase.’ [Employer, medium, Manufacturing, Brisbane, phase one]

‘Yes, people will be expecting pay rises in the four to five per cent bracket if the economy improves and if interest rates rise and CPI increases.’ [Employer, small, Manufacturing, Perth, phase one]

The transition to modern awards would also change the wages bill of employers in 2010. Some employers were reporting reduced rates and others higher rates of pay. However, most were uncertain of what the impact on their business would be. Changing government regulations (in the childcare industry in particular) were also reported to be influencing workforce planning. Some of these employers were acting cautiously by waiting to evaluate the impact of these changes before planning for (extra) wage increases or taking on new staff. Other childcare operators were budgeting for larger wage bill increases than were expected ‘just in case’:

‘Each year we budget for a three per cent increase in wages. Next year’s budget will anticipate a five per cent increase because we are not sure what wage rates will be. As ratios for OSHC are yet to be confirmed under the new national standards, we have not yet budgeted for the cost of additional staff.’ [Employer, small, HCSA, Adelaide, phase two]

3.7.7 Modern awards

In the first phase of the research the ‘new IR system’ was either unknown or a source of confusion, uncertainty and concern. By the second phase of the research there was more general awareness about the transition to modern awards and more knowledge about the content of modern awards, including pay rates and classifications. However, not all employers were familiar with the details of implementation for them specifically, nor had they begun to consider or implement changes in order to comply.

It is important to note that research subjects may have been sensitised to modern awards and related issues simply by virtue of the fact that they had been invited to take part in a discussion about awards and wages, and needed to have some familiarity with awards and transitional pay scales at their workplace to take part. Some participants had taken part over both phases of the research so had months to consider and investigate between phase one and two. It is probable that understanding of modern awards is higher among the research participants than a typical employer and should be considered when interpreting the findings:

‘Yeah, (I checked out the modern awards) just last night. I heard there was an award wage back in, from January, so when your research mob rang me up I thought I’m going to have an extra go to find this.’ [Employer, small, Retail, South Australia, phase two]

Employers from highly structured workplaces (e.g. franchisees, larger workplaces, workplaces with several different classifications of employees) appeared to be more familiar with the transition to modern awards than smaller (micro) businesses. A few employers in the research had begun comparing the old award with the modern award:
'We were using the SACS award, and now we use the new modern award—Social, Community, Disability and Home Care Services award ... I have recently undertaken a number of HR sessions on the new award structure and am in the process of comparing the levels between the two awards to make sure that the staff are paid at the right level. A level three old SACS isn’t necessarily a level three in the modern award.’ [Employer, medium, HCSA, Brisbane, phase two]

At the other end of the spectrum were the employers with no awareness of award modernisation or with limited understanding of the implications for transitioning to a modern award. There were few employers with no awareness of award modernisation in this research (for the reasons outlined above). Employer awareness of changes to the system had notably advanced from the first phase of the research to the second but understanding varied greatly. While many employers were aware of the transition to modern awards, they did not appear to understand exactly what was to occur, how it would affect their business and when changes needed to be implemented. When asked directly if modern awards would affect wage costs at their workplace, many employers simply did not know:

‘I’m not sure. It probably will, but I’m not entirely sure.’ [Employer, small, HCSA, Sydney, phase two]

‘I don’t know [about modern awards] ... I pay what I have to pay, you know ... I’m not sure [if it will impact wage rates], no. I asked my accountant that comes in and does the wages and so forth to have a look at it because it’s something else that I don’t get around to ... It’s another thing that I’d like to sit down and have more time to do, think about, but I don’t ... there’s so many areas that I don’t touch, and they come in and everyone thinks that they’re the most important. The gaming people come, the smoking people come, whoever, you know workplace health and safety. They all want their bit and here we are with one little pub trying to survive and everyone wants you to be an expert in these fields, and I’m sorry, I’m just not.’ [Employer, medium, AFS, Queensland, phase two]

Employers had various interpretations of the implementation and transition periods for changes. Some had concluded changes were to be made in January (see below for associated actions); some thought July 2010 was the transition date; and others appeared to be confused about transition and phasing-in provisions and assumed that no imminent changes were required, believing they had more time to get across details than they may actually have had:

‘... because there’ll be a five year transitional period to actually change any wages ... to tell you the truth I haven’t had a proper look at it because I know we’ve got the transitional time.’ [Employer, medium, HCSA, Perth, phase two]

The employers in this research who were ‘planners’ tended to be aware of modern awards and understood their obligations and were planning ahead for any implications to operating costs. Some employers believed their workplace had already transitioned to the modern award(s) and may have already adjusted wages, loadings and penalty rates for their staff:

‘Well it [the modern award] came into effect on 1 January. All the new general awards came into effect on 1 January and have to be implemented by 1 July. From then on you have to pay against those awards. So when January 1 hit, we went straight onto that new award and made all the changes that needed to be made on 1 January, so it was done and dusted.’ [Employer, small, HCSA, New South Wales, phase two]

‘Pharmacy Guild Award, which was recently modernised from the 1st of Jan 2010. We follow exactly the rates, except for those [staff] mentioned, and penalty rates, loadings etc.’ [Employer, small, Retail, Western Australia, phase two]
3.7.8 Impact of modern awards

Given that many employers in this research had limited understanding of transitioning to modern awards, discussion of modern awards effects on wage bill management and other workforce management issues was imprecise at times. The cautious ‘wait and see’ attitude that employers were demonstrating in many aspects of business operations was particularly common in relation to modern awards. The transition period for implementation also lead some employers to defer consideration of this issue:

‘[Wage costs are] hugely relevant; wages form nearly 50 per cent of my operational costs. As far as I know, the rates have remained the same [under modern awards]. No [I don’t anticipate increases], I hope not.’ [Employer, small, AFS, Victoria, phase two]

The employers in this research who were ‘responders’ tended to have limited knowledge of the implications and were waiting to be directed by industry bodies, payroll managers or other service providers. Levels of understanding varied as illustrated by the following comments made by employers from three industries across different states:

‘I must admit to being a bit vague about the details of the new Work Choices but am presuming wages will go up as they do each year. I have increased my service charges for staff which I didn’t do last year. My industry body keeps us informed. We have always paid penalties and casual loadings anyway so I don’t anticipate much change for us.’ [Employer, micro, AFS, Melbourne, phase two]

‘I am not aware of anything [from modern awards]. If the award goes up, we will have to pay it!’ [Employer, small, Retail, Sydney, phase two]

‘At this stage we have not been advised what changes will need to be made with regard to switching to a modern award. As members of [industry body] we will be advised when they sort out the changes and how they will affect us. I’m sure the changes will not be too drastic and will be in keeping with current, regular wage increases.’ [Employer, small, Manufacturing, Adelaide, phase two]

For employers with more familiarity and confidence about the implementation of modern awards discussions of the implications for work structures and the wages bill highlighted key impacts related to:

- simplified pay rates across a geographically diverse workforce
- greater surety of obligations with clearer reference to an award classification
- upward and downward adjustments to pay rates and casual loadings
- multiple awards and pay rates for the same role in the workforce (new starters on lower pay rates under the modern award)
- new or modified classifications with a few employers acting now to re-align positions
- adjustments to penalty rates.

Simplicity and certainty

Some employers commented on the benefits of the transition to modern awards, which for them had brought clarity and simplicity. Some participants said they expected the modern awards to be useful because all employees would fit somewhere, where previously roles within the organisation were not represented in an award and they had to ‘hunt around’ to find an approximation from other industry awards. For example, one employer felt his workplace had fallen ‘between the cracks’ of various awards, but now felt confident about pay and conditions and about his obligations. Another employer with
eight retail stores in three jurisdictions would now only refer to one award for all store locations. Although this participant's wage costs would increase initially, the simplified system was considered a welcome change:

'We've got a modern award which is actually manufacturing rather than specialising in a certain material, which is what we needed and there's nothing previous.' [Employer, small, Manufacturing, South Australia, phase two]

'Now it's the same everywhere. New South Wales and Victoria were different before. But now it's under the Fair Work thing it's the same … I think [it changed] because it was different in every state, which I think is a good idea what they've done. Like, it was—we were paying different rates to the girls up in Sydney to the ones that are down in Victoria. Now I think it's just brought it all into line. So it's the same everywhere.' [Employer, medium, Retail, Adelaide, phase two]

*Specific changes to rates and classifications*

Upward and downward adjustments to pay rates and casual loadings and new or modified classifications received much comment from participants but adjustments to penalty rates dominated the discussions about the transition to modern awards. These were of particular concern for Retail employers in this research, especially small businesses, who opened on weekends when penalties were higher. Some participants expressed concerned about the changes because they were expected to significantly increase wage costs. The potential increase to penalty rates had already influenced decisions about service offers and trading arrangements for employers in service industries and retail. For example, a community service agency operator was considering changes to trading or ending a service they provided to avoid the increase to their wage bill:

'Double time and a half. That's the new award. Various other things, and shift allowances and that, we have to pay a little bit extra for people working after six o'clock or on the weekends. In fact, we're already thinking about scrapping the Sunday day centre service.' [Employer, medium, HCSA, Perth, phase one]

While penalty rates attracted particular comment, modern award changes did not adversely impact all businesses:

'Weekend penalty rates will apply and they have introduced other loadings like weekly uniform allowance and an extra 15 per cent of wages during annual leave. Working before 7am and after 7pm will also cause extra penalty rates, but this does not affect us as we only open 8am to 6pm.' [Employer, small, Retail, Western Australia, phase two]

Some employers in this research had already begun using the minimum pay rates and penalty rates for staff they had recruited since 1 January 2010. These employers were currently using two awards to set pay and conditions for the same role in the organisation, as existing employees continued to be paid according to the rates and conditions in the previous award. Some employers reported that the modern award rates were higher, while for others the modern award rates were lower:

'The modern award we now follow is at a slightly lower rate than the state award we were previously following. As a company we have decided to keep all existing employees (prior to 1 January 2010) on the old rates and new employees on the new award rates. We do not anticipate any rate changes in the coming year.' [Employer, small, AFS, Brisbane, phase two]

'I have reviewed the new award rates against current pay rates and it would appear that hourly rates would decrease. This has not been passed on to employees and I have continued to pay staff their existing pay rates. If staff pay rates decrease they are entitled to apply to Fairwork SA for a “Take-Home-Pay Order” which will restore their take home pay to the pre-award level, so decreasing pay rates seems illogical in this context.' [Employer, small, AFS, Adelaide, phase two]
Some employers were seeking training to better educate themselves about the implementation of new classifications and employment conditions in their workplace. A desire for assistance appeared to be most prevalent in the HCSA businesses with large portions of the workforce paid award rates:

‘How shift penalties are applied have changed under the new award. (Either that, or I’ve done it wrong for the last five years). I have this understanding—some of the eastern states have higher wages, their wages will increase very slowly over the next few years. In South Australia, our wages will jump and continue to jump until wages are consistent across Australia. (We) don’t have to transition to the new award until 2011 … I honestly can’t wait till it’s all sorted out and everyone knows what is going on.’ [Employer, small, HCSA, Adelaide, phase one]

‘Like most people in the industry, I think I have a pretty good grip on the new award, however there are still a few niggly bits that are a little confusing … My staff have been given copies of the new award and other related information. They are well aware that I don’t completely know what is happening with their wages and all have a signed letter that they will be entitled to all back pay as soon as all this award stuff gets sorted.’ [Employer, medium, HCSA, South Australia, phase two]

Plans to mitigate and manage change

A few employers in the research were acting already and planning to mitigate any negative effects of modern awards by identifying and implementing adjustments to manage this change. This included consideration of price increases and changes to costs. The following is an example of a planned and holistic response to modern award changes, involving multiple adjustment variables:

‘[We] planned for many changes to accommodate [the] introduction of the modern award system and particularly revisions to penalty rates: fee structures will change, client services will be reviewed to minimise payment of penalties, and [we have] plans to implement fee increases in. September/October when [we] can monitor the impact of the new award system more reliably. [We are] also reviewing [our] recruitment policy [and] choosing those who are already qualified rather than training them [as this was] considered more cost-effective when wages are rising, and there are also benefits in terms of staff availability because we don’t have to spend time training.’ [Employer, medium, HCSA, Perth, phase two]
4 The experience of minimum wage–reliant employees

Key findings

Changes to employment arrangements over the downturn affected employees in this research through reduced working hours, increased work intensification and changes to shifts and overtime. Participants experienced reduced wages income as a result of these circumstances.

Employees in this research were generally grateful to have (any) employment which lead to a change in attitude for some participants. Their attachment to employment appeared to have strengthened through the downturn as concern about job and income security increased. For some participants their concerns lead to an acceptability of ‘basic’ employment, wages and conditions and limited mobility.

Many employees in this research were prepared to accept lower pay or less desirable working conditions. Many also deferred or reconsidered plans to change employers/occupations, take up training and to negotiate pay rises or other conditions with their employer in order to get through the challenges brought about by the downturn.

The ability of participants to meet living costs was challenged through the downturn and remained evident over the course of the research period. Reductions to income resulting from changes to employment arrangements, increases in the costs of groceries, petrol and housing, and the absence of a wage increase in 2009 were adding to the pressure experienced by employees to maintain or improve their living standards.

Employees in this research used a range of strategies to meet their living costs. These strategies included employment-related actions such as working multiple jobs or alternative hours, as well as changes to budgets, debt management, discretionary spending and savings to manage on reduced incomes.

It was widely accepted by employees in this research that the ‘worst of the downturn was over’ and that conditions were improving, which appeared to strengthen over the duration of the research. Many participants were optimistic about future opportunities and choices, although remained cautious in their decision-making about work and life.

By the second phase of the research, greater confidence about the economy appeared to have lessened the anxiety employees had about their employment conditions and prospects and their living costs. There were fewer examples of exposure to redundancy and shift-cutting and there appeared to be higher expectations for working conditions. Nonetheless, many unskilled participants had not benefited from the improved conditions, including a more favourable labour market. Without the skills, time, resources or self-belief needed to improve their employment prospects, some remained in conditions that did not meet their requirements. It was these employees who were most conscious of the perceived disparity between increasing living costs and their wage rates, and who were most challenged to fund their relatively ‘basic’ standard of living.

Maintaining wages income above government allowances and access to benefits such as childcare rebates were also important considerations for the employees in the lower range of income dispersion.

4.1 Current attitudes and decision-making

The strategies put in place by employers to adjust to changing business performance had varying levels of effect on the employment conditions and earnings, and consequently the lifestyles, of employees in this research. The experiences of employees and how they influenced their attitudes and decision-making are detailed throughout this section of the report.
The employees in both phases of this research were generally optimistic about the future, predicting that the upturn in the economy would continue, with flow-on effects to the labour market, and, in turn, working conditions. However, decisions about life and work appeared to be tempered by consideration of economic volatility.

In the first phase of this research there were wide-ranging opinions about how strongly and how quickly the economy would recover and how long it would take for improvements in business performance to translate into more favourable conditions for employees. This cautiousness continued to influence decisions about work and mobility, as well as spending and cost control, in the second phase of the research. Examples of this include decisions about:

- **Employment**—decisions about maintaining current employment arrangements, seeking alternative or additional employment, negotiating more favourable conditions and/or wages, and undertaking training
- **Expenditure**—decisions about spending and levels of debt and expected and experienced increases to living costs.

The salience of the economic downturn appeared to lessen marginally from the first to the second phase of the research. When participants were prompted, the wider economic environment was not seen to be as ‘precarious’ as it had been in recent past. However, the extent to which employees felt that they had benefited personally from the economic upturn varied across locations and occupational characteristics.

In the second phase of the research, top-of-mind concerns about the economic downturn and its affect on employment conditions and earnings had seemingly been usurped by concern about increases in living costs, most notably interest rate rises:

‘I am positive but cautious. I am a homeowner so interest rates are a big concern for me. I think that we have been lucky in Australia not to have been hit too hard by the global economic crisis. I think everyone will be a lot more conscious of what they are spending and will try to budget more rather than put things on credit.

[Employee, female, 18–25 years, South Australia, phase one]

Lower skilled employees generally displayed a strong sense of wariness. These participants felt vulnerable in their current minimum wage–reliant employment and did not consider themselves competitive in the labour market. These concerns were reflected in particularly cautious decision-making about employment transition and general expenditure:

‘I am happy where if am at the moment and the only way I’ll be looking for a new job is if I get fired … because there isn’t too many apprentice jobs going at the moment because of the crisis and I am lucky to already have secured an apprenticeship.’ [Employee, male, 18–25 years, Perth, phase one]

By contrast, younger employees and skilled employees with higher earnings were relatively positive. Many of these employees felt secure in their current minimum wage–reliant employment and were confident in their employability, their value to their employer, and the demand for their skills. This was reflected in decisions about pursuing alternative employment, study or training in 2010, often with a view to forming a longer term career pathway:
'I am feeling positive about the economic climate. I think things are going to improve in 2010 in the sense that more jobs will be generated. I think our decisions are influenced because we may feel more secure. For example, during the peak of the GFC (which is hopefully behind us) we might have been happy in a low-paying job. But now that things are improving and more jobs are being generated we might be willing to negotiate [with] the employer for better working conditions.’ [Employee, female, 18–25 years, Melbourne, phase one]

In the second phase of the research some employees indicated an intention to look for alternative work or embark on further study or training. However, at the time of the research, these were intentions only. Many were taking a ‘wait and see’ approach, with concerns over the impact of interest rate rises and other cost increases influencing their employment decisions and spending behaviour:

‘I think that things are starting to look better this year, as we are coming out of the global financial crisis and the economy is starting to pick up. However, there is still quite a lot of uncertainty and this has caused me to be a more conservative spender and save more.’ [Employee, female, 18–25 years, Sydney, phase two]

4.2 Changes to employment arrangements and conditions

4.2.1 Availability of employment

The economic downturn was considered to have brought about a highly competitive labour market that favoured employers. There was significant variation across labour markets reflecting different rates of unemployment. For example, participants in Cairns recounted stories of mass redundancies and people moving elsewhere to find work; while in Melbourne, discussion mostly focused on a more general lack of ‘favourable’ employment opportunities:

‘A lot of people have lefts Cairns, haven’t they? A lot of people like tradespeople have had to go south. I’ve heard thousands of tradespeople have left to go south because there was no work here and Cairns was hit quite badly with unemployment. A lot of people in Cairns have suffered this year. It has not been a very good year.’ [Employee, female, 35–55 years, Queensland, phase one]

‘Well, the hairdressing [employment] listings used to be like a column and a half, and now they’re just like a third of a column, and there’s not much there at all.’ [Employee, female, 35–55 years, Melbourne, phase one]

Despite greater optimism about employment opportunities in the second phase of the research, perceptions of employer control over the labour market remained. This view was consistent across regions, even in Western Australia, where despite media reports of the ‘resources boom’ and the ‘second big skills shortage’, confidence about securing employment was relatively weak compared to more prosperous times:

‘You’re surrounded by all these people coming in ... looking for work and they just can’t get it ... so I consider myself very lucky to be working altogether and have a job I don’t hate. I think I should be thankful for that.’ [Employee, female, 25–35 years, Perth, phase two]

Assessments of the labour market remained negative in areas that had experienced high levels of unemployment during the downturn. In Cairns, reports of high levels of competition for jobs continued following the closure of several large businesses during 2009. The labour market was considered similarly difficult in Renmark, largely due to poor environmental conditions for business. Some younger employees had been ‘forced’ to seek work in the mines in Western Australia, even when transport funding previously supplied by mining companies had been withdrawn:
‘I think we’ve gone through the worst, which was the end of last year. There is a bit more happening at the moment. Also there is quite a bit of competition. [There are] so many companies that went through slow times that it is kind of aggressive out there to get the jobs. Plus there’s a lot of companies down south for instance bidding for work up here just to get work.’ [Employee, male, 25–35 years, Queensland, phase two]

Discussions about the labour market and job opportunities in both phases of the research generally focused on concern about the availability of ‘desirable’ employment, rather than the availability of ‘any’ type of employment (though unemployed job seekers were not included in the research sample). Generally the sentiment remained that there was an abundance of opportunities in unskilled or semi-skilled jobs of a casual or temporary nature:

‘You will always find work to give you an income … too many people are fussy in what they want to do.’ [Employee, male, 18–25 years, South Australia, phase two]

Securing employment in specific industries or occupations, including skilled and graduate positions or opportunities which were related to longer term career choices and pathways was thought to be a significant challenge as competition was considered to be greater. Participants who had sought alternative employment were competing with high numbers of applicants, some of whom were seemingly over-qualified:

‘Trying to get graduate positions is very competitive and finding one that allows you to work in a location which you can afford to get to [with the rising fuel costs] is hard.’ [Employee, female, 18–25 years, Melbourne, phase two]

There were numerous examples of occupational underemployment in both phases of the research. Several participants who had recently changed employment claimed that they had been forced to compromise, applying for and accepting jobs that they would not have considered in more favourable labour market conditions:

‘I used to work in the city, just down the road, until I got retrenched about five months ago. Probably about two months after that I decided that beggars can’t be choosers so I started doing work … delivering pizzas which I do about 20 hours a week. It doesn’t cover my living expenses but at least, you know, a job’s a job’s a job’s a job. I think I was kind of hit by the economic downturn. I actually had a job interview this week. I reckon I’m at least a good 60 or 70 per cent chance of a full time job again. So hopefully this will be my last week or last two weeks anyway of underemployment.’ [Employee, male, 36–55 years, Sydney, phase two]

Participants reported similar difficulty in sourcing employment with desirable hours and shifts. For some participants this meant accepting jobs with fewer hours than they required to meet their living costs. This was most evident among employees with significant financial responsibilities and employees requiring flexibility in their work arrangements due to study, parenting and other commitments:

‘I’d prefer to work about 21 hours a week (compared to 6.5 hour worked at the moment or compared to a full time job). This would give me time to study and do my uni work as well as providing sufficient income so that I would not be struggling.’ [Employee, female, 18–25 years, Sydney, phase two]

Across all locations in this research, the employees with fewer skills, limited experience and impediments to work (such as disability or poor English) felt most vulnerable in the labour market. These employees had fewer choices available, felt threatened by the ready supply of people looking for work and were conscious that they could easily be replaced:
‘When I was having counselling last year for my daughter, the counsellor said, “What about your job?” So I started telling him a bit about how they treat me and what they say to me and he goes, “Why are you still there?” I said because I can’t go somewhere else. I have nothing.’ [Employee, female, 35–55 years, Queensland, phase one]

‘I’ll only just be graduating with my course, so therefore I think it would be pretty hard [as] there wouldn’t be much available. [Employers] always say they need experience, so [they’re] not giving people an opportunity who’ve only just come out from studying.’ [Employee, female 18–35 years, Melbourne, phase one]

‘There’s not much for mothers of young children, not much choice at the moment. What choice do I have if we don’t have a trade [qualification] or if we don’t do accounting or something, if we haven’t got a degree in something? [The] people that employ us now are able to pick and choose. There’s more “we don’t want you, you’ve got the kids”. It’s getting that way, heading that way.’ [Employee, female, 45–54 years, Sydney, phase two]

Nonetheless, reflecting the increasing optimism observed about the state of the economy, it was widely felt that employers’ firm hold over the labour market was gradually loosening and would continue to do so over the course of 2010. This sentiment appeared to have gained momentum over the first few months of 2010, as signs of economic recovery and increasing levels of employment continued to emerge.

4.2.2 Working patterns and arrangements

The working arrangements of many employees in this research changed during the downturn period as a result of adjustments made by their employers to reduce operating costs and increase productivity. The legacy of the economic downturn was still apparent in early 2010; however employees appeared to have regained some control of their working arrangements. There were fewer signs that such practices were being initiated by employers.

The working arrangements of participants varied according to life-stage and situation as well as external factors including the local labour market. Employees with heavy financial commitments generally prioritised income, working long hours and taking advantage of overtime and penalty rates wherever possible. Some participants claimed to work in excess of fifty or sixty hours per week. Others had multiple casual jobs, or one permanent job with a casual job, to supplement earnings from their permanent wage when required:

‘I have a wonderful fiancée and a adorable (sometimes) son … I am a qualified painter and decorator but mainly do maintenance now (e.g. patching doors, walls, ceilings, rewiring all types of screens) and all your odd jobs around the home to keep it running. I have been with my employer for nine years now. I work full time five days a week 38 hours. I also moonlight as a waiter in my father-in-law’s catering business serving food and beverages.’ [Employee, male, 18–25 years, South Australia, phase two]

Other employees worked part-time hours either as a permanent arrangement, or (more often) on a casual basis. Students and carers who were supported by partners or parents often preferred fewer hours to allow time for parenting or study, and/or for a more desirable lifestyle.
The level of choice over working hours previously experienced by employees was diminished during the downturn. In many cases, changes to working hours resulted from employer actions beyond the control of employees. Examples of this included:

- cuts to shifts attracting penalty rates
- reduction or elimination of overtime shifts
- fewer shifts or reduced hours (short-time arrangements and shorter shifts)
- changes to shift patterns and arrangements (frequency, timing and length).

The decline in business performance and associated lower levels of labour demand, together with instability in the labour market, made it difficult for some employees to retain their preferred hours of work or to change or increase their hours. There were many examples of work hours being reduced and changed, particularly from participants employed on a casual basis. Permanently employed participants also reported changes to their hours, most commonly cuts to overtime, short-time arrangements and changes to shift patterns. Examples of how changes to employment arrangements and wages affected the income of participants are detailed in section 4.5 of this report.

By early 2010, fewer employees reported such measures, and in some cases, reported that these measures had recently been modified or reversed by their employer:

‘Yeah we’re starting to pick up a bit more work now so I’m starting to work a few Saturdays.’ [Employee, male, 18–25 years, Perth, phase one]

The economic downturn highlighted the precarious nature of casual employment for many participants in this research. In prosperous times, many employees (particularly those with commitments to parenting or study) benefitted from the flexibility of casual employment—from being able to ‘pick and choose’ shifts to suit their lifestyles, and from higher hourly rates due to casual loadings.

This remained the case for some participants, particularly younger people, whose low level of attachment, and high confidence in finding similar work meant that they were not overly concerned about job security. In some labour markets skills shortages persisted—particularly in Health Care and Social Assistance. These employees had more capacity to determine the nature of their employment, and some favoured the higher hourly rates and associated conditions of casual arrangements:

‘I enjoy my job, and the flexibility it offers me. I can work as little or as much as I want, and if I decide to study, my employer is happy to work around my study schedule.’ [Employee, female, 18-25 years, Brisbane, phase two]

‘I’m young and have opportunities to try different things, so why not take advantage of that?’ [Employee, female, 18-25 years, Adelaide, phase two]

In the first phase of the research, the flexibility offered by casual employment arrangements became more widely appreciated by employers in the study. However, for employees, ‘flexibility’ increasingly became cause for concern. For employees in areas and industries that had been significantly affected by the downturn, control of the labour market had shifted towards the employer. The freedom to ‘pick and choose’ previously experienced was no longer available. Rather, casual hours were determined to suit the requirements of the business, and as business performance declined, shifts were cut. As a result, for many employees, casual work became far less attractive and the stability of permanent work, be it full-time or part-time, was strongly favoured:
‘[I would like to work] a minimum of 20 hours a week. Only because my minimum at the moment is eight hours a week since I’m casual. I would like to become part-time. Working a certain 20 hours a week would give me more of a chance to have a social life, I cannot afford to do anything at the moment.’ [Employee, male, 18–25 years, Brisbane, phase one]

‘… a lot of employees, they want to be on part-time contracts, so I’ve noticed that. People are quite desperate to and yet [employers] are only willing to offer casual when they’re employing at the moment. So a lot of people are like trying to have good relationships with managers to get around it, that sort of thing is happening.’ [Employee, female, 18–35 years, Melbourne, phase one]

In the second phase of the research, casual employment continued to represent less secure, and thus for some employees, less attractive employment. While a few participants had experienced an increase in hours, many continued to work fewer hours than they wanted or needed and were seeking more work. The exception to this was generally students, who preferred to limit the number of shifts they worked and receive the higher casual pay rates:

‘I have had to move jobs in the past because of pay. As an example, my last job was monthly pay and I couldn’t survive so I had to move to a job with weekly pay. Or casual jobs I have had where I haven’t gotten enough shifts to pay my bills so I had to move to more permanent work.’ [Employee, female, 18–25 years, Melbourne, phase two]

4.2.3 Working conditions and work intensification

The economic downturn not only affected the availability of employment and working arrangements, but also influenced conditions of work. Several employees mentioned experiencing increased stress in the workplace due to increases in workload and changes to the working environment.

Many employees described a strong focus on productivity and increasing work effort in their workplaces. This was often the result of fewer staff available or assigned to undertake tasks, but also reflected changes to business operations. This pressure was compounded by increased competition within the workplace as employees vied to gain favour with their employer to protect themselves from shift-cutting and redundancy. While this vulnerability appeared to have lessened somewhat in the second phase of the research, participants reported that employers’ expectations for productivity had not diminished. This is in keeping with employers’ intentions to maintain increased efficiencies brought about by such changes:

‘Now that I have a job, I’m working hard to keep it and to achieve good results so that a good reference will ensue … I always seem to feel I’m not doing enough; pressure from managers and cell leaders is always present … I always feel if I do one thing wrong I can be easily replaced.’ [Employee, male, 18–25 years, Adelaide, phase one]

‘You can feel the pressure … when you ask your boss when you want to take a break, he looks at you differently. Those days he would say, yeah, yeah, go ahead take a break because it’s good for you and he was very accommodating because he doesn’t want to lose you. When I came in it was so difficult to get people to work at these early hours. But today he’s got people in the queue just waiting, so he’s not desperate anymore. In those days he was very nice to us, you know. He tried to accommodate us in every angle, but these days …If you’re not happy, the door is there, you know what I mean?’ [Employee, male, 35–55 years, Melbourne, phase one]

For most employees in the study, the productivity gains expected by their employers were delivered through increased work effort, rather than through using different or better techniques to perform tasks more efficiently.
Some younger employees who had been given more hours noted that they were now required to perform the role of more experienced colleagues. They were required to work harder, had greater responsibilities or a more diversified role. However, they had not received any increase to their pay rate to compensate for their increased responsibilities and effort.

4.2.4 Wages

Wages of many employees in the study had been adversely affected during the downturn. This was predominately through a reduction in total hours worked or a reduction in hours worked that attracted penalty rates. In some cases the reduction was a result of accepting a job with lower pay rates than their previous employment. This also extended to less confidence in negotiating rates of pay. This was most pronounced among employees with limited skills and experience in areas with high levels of unemployment. These employees, while often dissatisfied with their rate of pay, were concerned that attempted negotiation would result in an unfavourable outcome, or that by ‘rocking the boat’ their vulnerability to shift-cutting or redundancy would increase:

‘I don’t feel that I am in a position where I can ask for a higher pay rate. I am probably too scared to push the employer and would rather just do my job quietly ... It is probably a wimp’s way out!’ [Employee, female, 18–25 years, Brisbane, phase one]

As the participants in this research were paid minimum rates, none had personally experienced a reduction in their hourly rate of pay. However, some employees commented on wages being reduced for employees paid above minimum rates in their workplace:

‘You are pretty lucky if you are employed in Australia right now, considering many people are out of jobs. However, the work environment is very tense and stressed and often makes you wish that you weren’t amongst it. For example, many people within my workplace had to take 15 per cent pay cuts which is a considerable part of their wage. This doesn’t make them happy to be at work or pleasant to work with (especially when you work in the accounts department).’ [Employee, female, 18–25 years, Brisbane, phase one]

As the wages of more highly valued staff who were previously paid above the minimum edged closer to the basic hourly rate, these minimum wage–reliant employees were increasingly concerned about competing for shifts with the more highly valued staff, whose pay rates were now comparable to their own.

Reports of wage-cutting reduced from phase one to phase two of the research. Indeed, the more optimistic attitudes observed in 2010 suggested that employees would be more discerning with their employment choices, and expected to have greater choice and capacity to negotiate working arrangements and pay rates that suited their requirements. The level of anxiety about employment that was uncovered in the first phase of the research was not obvious in the second phase. Nonetheless, most employees did not feel confident to negotiate pay rates with the exception of those with greater employability, working in areas and industries with emerging skills shortages.

For some employees, income consisted of both wages from employment and allowances from other sources, including government benefits. Generally employees either considered that their allowance supplemented their wages, or that their wages supplemented the income received through government benefits. These participants were wary of earning ‘too much’ through their employment, and so limited their hours accordingly:

‘I’ve got to be careful too. If I earn too much then I’ll hardly get any Centrelink benefits so then again why should I want to go any higher?’ [Employee, female, 35–55 years, Queensland, phase one]
4.3 Attachment and mobility

4.3.1 Employment paths of minimum wage–reliant employees

Overall, labour attachment and mobility of employees in the research appeared to be influenced by an interplay between motivation and opportunity. Some employees had high aspirations and viewed their current minimum wage–reliant employment as a stepping stone in their career, either as a precursor to ‘moving up the ladder’ or to building their skills to obtain employment elsewhere. Career development was not a priority for all employees in this research, particularly for employees whose motivations for work focused more on lifestyle and other pursuits, notably parenting, studying, volunteering or sporting commitments.

The second phase of research explored mobility and minimum wage reliance in a longer term sense. Some of the different employment paths that participants have taken, and their expectations for future employment are presented below. The research also identified the many factors that influence employment paths, including aspiration and attitude, personal circumstances and other commitments, industry and labour market performance.

It is important to note that some participants were unsure of how their wages were determined for specific jobs in their employment history. As such, it is difficult to definitively conclude what instrument was used to set their rate of pay. Nonetheless, by considering contextual influences it is possible to make informed assumptions about how wages were set. For example, for an employee who had worked in a series of similar low-skilled jobs, with minimal change in pay rates, it is probable that these previous positions were also paid award rates. Similarly, if an employee received an increase to their wage as a result of increased performance or productivity without moving up a grade/classification, this would indicate that the increase was an over-award payment.

Whether employees had received increases to pay rates via adjustments to minimum wages could not be reliably determined. The variability of casual employment wages and the absence of explanations from employers when pay rates changed made it difficult for employees to know why they had received an increase in their pay or even when they received an increase.

Although interpretation of wage-setting instruments was not exact, this exploration of employment history allows for an analysis of reliance on minimum wages over time, and the likely role of minimum wages in a variety of contexts. Descriptions of the different employment paths and reliance on minimum wages uncovered through this research include:

- upward labour mobility through award classifications (minimum wage reliance)
- long-term minimum wage–reliant employment with minimal transitioning
- long-term minimum wage–reliant employment with frequent transitioning
- marginal attachment to minimum wage–reliant employment
- short-term minimum wage–reliant employment.

Upward labour mobility through award classifications (minimum wage reliance)

Several participants had progressed through award classifications and across different awards over the course of their employment history.
This employment path involved working for a single employer, or, more often over a longer period, working in different workplaces in the same or closely related fields. These employees periodically leveraged their skills and experience to transition, either if opportunities were limited at their existing place of employment, or if they had other motivations for leaving (for example, relocating or feeling discontent in a particular work environment). As their skills and experience developed, so has their value in the labour market.

Mobility and earnings for this cohort of employees was not always linear. In some cases, this was by choice. For example, some employees made changes to working arrangements to accommodate their personal situations, which meant choosing part-time or casual work, or roles with less responsibility, in order to prioritise other aspects of their lives. Many employees also faced unplanned impediments to progression, resulting from labour market instability. The recent downturn appeared to have deterred some from looking for alternative employment, or, in some cases forced them into lower paid roles. Given employees’ general lack of detailed knowledge about various awards and the specifics of classifications, it is difficult to determine with certainty whether these changes in wages were associated with changes in classification or award or changes in rates (such as from over award to award rates) within the same classification or award.

Notably, the research indicated that steady employment in permanent full-time work tended to facilitate upward mobility through award classifications. Divergence from this model could slow or even stall upward mobility. For example, when women in this research had chosen part-time work on returning to the workforce following parental leave, their career paths often appeared to plateau. It is important to recognise that for many participants this was a deliberate decision. Once they achieved a certain level of financial security, they were able to be more selective about their employment. These participants were not focused on career progression and increasing their wages. In other cases, however, it was not deliberate, and some participants found it difficult to regain their upward path.

Vignette 1: Debbie

**Job:** Nurse  
**Industry:** HCSA  
**Age:** 35–55 years old  
**Gender:** Female  
**Hours:** 45–50 hours per week  
**Wage:** $32 per hour  
**Employment:** Casual  
**Location:** Cairns

Debbie left school at 17, and after a series of short-tenure, low-skilled jobs, decided to pursue a career in nursing. Living in England at the time, she studied for two years, and after graduating commenced full-time work in a hospital. She remained employed there for six – seven years, progressing from registered to clinical work over that time with increases in responsibilities and pay rates.

Debbie decided to move to Australia with her partner in the mid-1990s. They travelled together for a few years, and then settled in Cairns where she obtained a permanent full-time position in a hospital immediately. Debbie worked there for five years. Her wage increased steadily over this period according to
her work experience and the number of hours worked.

‘The longer you’re there, then the more grading you get, then the more money you get.’

Debbie then decided to move to Brisbane, transitioning to casual work as a practice nurse. This came with a marginal pay decrease but an increase in autonomy and flexibility which suited her personal circumstances at the time. Debbie worked in this Brisbane practice for three years, working between 35 and 50 hours each week. Her wage increased steadily with experience. She also completed a Diploma in Massage in order to extend her nursing skills. Her time in Brisbane was cut short when she had to return to England to care for a sick family member. She was in England for almost one year, without an income. Upon her return to Australia, Debbie signed up with a nursing agency that posted her to temporary positions. This arrangement provided optimal flexibility and paid over-award rates with additional remuneration for remote postings. This work paid $38 per hour. Debbie maintained this employment arrangement for approximately three years.

‘I wanted more freedom. I didn’t want to be tied down with a full-time job on a roster when I couldn’t get holidays. Yeah, it’s a freedom thing.’

Debbie’s personal life then brought her back to Cairns, where she returned to the hospital, again obtaining permanent full-time employment immediately. Although this work paid less than the agency work, she was willing to trade-off income for a less transient lifestyle. Her hours had increased significantly over the past 12 months, leading her to appreciate the higher pay and flexible work arrangements of casual employment.

Debbie currently works casually and receives $35 per hour. She appreciates being able to take holidays whenever she wishes.

**Long-term minimum wage–reliant employment with minimal transitioning**

A small number of participants had been in the same occupation and classification in the same workplace for many years. These employees tended to be low-skilled and working in organisations providing little, if any, training. They were generally competent and hard working but were unlikely to progress or transition due to a variety of factors, including poor English and a lack of qualifications and confidence. The longer these employees remained in one workplace, the less likely they were to attempt to change, reflecting their fear of the unknown and self-doubt. While many of these employees seemed discontent with their role and their wage, they remained in their current employment because they could not conceive of a realistic alternative. Similarly, they were unlikely to attempt to negotiate over-award payments or more desirable working arrangements, considering themselves easily replaced.

Others with a similar employment path had chosen to remain in the same role with the same employer for lifestyle reasons. They tended to be more financially secure (often in a dual income household or receiving government allowances) and their wage was additional or secondary income. They were not motivated to progress or to negotiate. Instead, they prioritised family commitments or lifestyle over their employment conditions and earnings capacity. In some cases these employees had declined promotion, preferring fewer responsibilities and less pressure.
VIGNETTE 2: Chian

Job: Machinist

Industry: Manufacturing

Age: 35–55 years old

Gender: Female

Hours: Full-time

Wage: $15.34 per hour

Employment: Permanent

Location: Melbourne

Chian arrived in Australia from China almost 20 years ago. She has been employed as a machine operator by the same clothing manufacturer for 15 years. Prior to obtaining her current employment, Chian was working as a waitress in a restaurant where she undertook what she considered to be menial tasks that were shameful and derogatory. Over the past 15 years she worked under different managers, two of whom she maintained good relations with. However, she does not have a good relationship with her current manager. The atmosphere in her workplace is not pleasant or encouraging; however, she prefers her current employment over the restaurant work she previously performed:

‘[My boss] is always checking around, saying things like, “Are you finished yet?” If you walk away from the machine he will ask, “Where are you going?” Even when it is pretty clear you are going to the toilet. He asks us to keep writing down what you have been doing and the time it took.’

Being in her mid 50s with limited local experience, she feels her job prospects are minimal. Her current employment at least secures a satisfactory income and covers her essential expenses. The security of her job outweighs her interest in pursuing local training as a clothing designer. She fears that requesting training from her current manager may cause trouble, or be considered as ‘expecting too much’ and potentially result in losing her job. The fear of having to resort to menial and degrading work leads to this cautious behaviour:

‘Even though the boss is not very polite, I am used to the work and have no urge to leave. If, however, I could get training as a designer, I would be more motivated and get more satisfaction. If my family did not need my income to survive, I would be happy to invest myself in further training.’

Chian explains that in Chinese culture, it is considered inappropriate for employees (particularly for women) to question authority or to complain, so she has never considered raising the issues of pay and steps toward personal and career development with her employer. Chian is overwhelmingly reluctant to draw attention to herself or to be seen as being problematic and consciously avoids confrontation with her employer.

In earlier years, Chian did not pursue work with higher responsibilities and wages for a variety of reasons. Upon her arrival in Australia, her priority was to get settled and acquire immediate full-time employment to be eligible for a home loan. As a new migrant, she was pleased to have a job in the absence of local work experience.
**Long-term minimum wage–reliant employment with frequent transitioning**

Some participants had spent many years moving across employers in similar occupations and industries in minimum wage–reliant employment. Unlike marginally attached employees, these employees generally had more control over their paths, transitioning out of choice, rather than necessity. While some had experienced periods of unemployment, this tended to be short-term, and they were less often reliant on government allowances.

For some employees, this pattern was driven by a desire to find a satisfactory ‘career’ with the potential for development. Typically, participants in this group had undergone training in a variety of different areas, preceding and facilitating their job search, but seemed not to have identified their path as yet. They seemed to ‘sample’ work, generally finding it unsatisfactory. In some cases, and particularly during the recent economic downturn, they were also limited by a lack of opportunities in the labour market in their chosen field. They tended to return to study, taking ‘any job’ as a means of financial support in the meantime.

Over the longer term, the paths of these employees varied. They were somewhat aspirational, claiming that they did intend to leave at some stage. However, over time, they found it difficult to extend and motivate themselves, leading some to ‘settle’.

Others had greater success in realising a career, and finding a suitable job, often when supported by opportunities and training. Overall, they were then more likely to progress in a similar way to employees who were moving up Award classifications. In some cases these employees were paid over the award rates during their employment history.

Others moving across minimum wage–reliant employment did so for lifestyle reasons, choosing not to be upwardly mobile. Motivations for transitioning focussed on hours and shifts, location, and enjoyment at work, rather than career development and earning capacity.

**VIGNETTE 3: Ben**

**Job:** Landscaper  
**Industry:** Construction  
**Age:** 25–34 years old  
**Gender:** Male  
**Hours:** 15–25 hours per week  
**Wage:** $20.50 per hour  
**Employment:** Casual  
**Location:** Cairns

Ben left school at 16 to pursue a career in professional cycling in Europe. When this did not eventuate, he returned to Cairns and obtained full-time permanent employment in a bicycle shop as a parts mechanic. He found the work quite satisfying. He worked in sales and offered advice as well as being involved in assembling parts. This job paid award wages of approximately $18 per hour. After two years, his position was made redundant because there was not enough work to sustain two members of staff. As the other
employee was an apprentice and had more skills, he was kept on and Ben was made redundant.

Ben then accepted a contract job in dispatch at a local retailer after he was told by friends that they were seeking new recruits. The wage was comparable to what he received at the bicycle shop, but he found the working environment stressful. After three months he was offered a full-time permanent position, but declined to take it.

Ben then obtained employment as a maintenance manager at a small boutique hotel. This work involved tending the gardens and doing odd jobs. The pay was marginally higher than at [retail store], at $21 per hour. Again, Ben found the working environment stressful and the owner difficult to work for, resigning after six months.

Another friend then found Ben a job in labouring, paying a more attractive wage of $24 per hour. He started out on part-time hours, but the position became full-time after a few weeks. Though he had no qualifications, his employer provided on-the-job training which allowed him to move into a leading hand role, offering higher wages of $26 per hour. After two years, he married and took extended leave. When he returned, the firm had become insolvent and his employment had ceased.

With a new family, Ben began to see the importance of career development, and looked for a role that would provide opportunities for progression. He was interested in various trades, but needed to complete an apprenticeship. Unfortunately, he didn’t have the time or money to undertake an apprenticeship at that stage of his employment path due to his personal circumstances.

He decided instead to complete a real estate course at TAFE. Upon completion of the course, the real estate industry had become unstable as a result of the downturn, and he felt that it would be untenable to try to establish a career at that time. Instead, when a position became available at the bicycle shop where he had worked previously, he decided to return. It was a casual arrangement, and relatively low paid compared to his labouring job, but he had flexibility to choose his hours of work and considered this a secure option.

He soon became dissatisfied with this employment and obtained employment in a landscaping business. This was a casual arrangement and the hours varied considerably. In some weeks there was little work available for him, but other weeks he would work up to 40 hours. The hourly pay rate was higher than what he received at the bicycle shop. However, he felt that the way that his wage was calculated according to the hours he worked was unfair:

‘If you’re filling up the company truck, if you get there late, they’ll dock you half an hour off your time because you were refuelling the truck on their time, not your time.’

Realising now that he is unlikely to progress, Ben is negotiating with a friend to manage the bicycle shop for a year while the owner-operator is away. He would ideally like to start his own business, but says ‘it’s just a pipe dream at the moment’.

Wages are very important for Ben. He has a young family and his pregnant wife is not currently working. Ben is trying to balance short-term wages needs with his longer term prospects for wages growth. When asked if he would do anything differently over this employment path, Ben responded with an emphatic ‘yes’. He would have pursued graphic art, something he was good at when he left school. He wants a job with meaning and challenges, and a stable income that meets his and his family's living costs.

‘I find that I’m capable of doing most things. I’m just on this quest to find something that I can give value to. I just don’t like to be wasting my time. I find that some of these positions, you’re not trying. It sucks the life out of you. That’s it.’
Marginal attachment to minimum wage–reliant employment

The employment paths of some participants involved a series of relatively short tenures in low-skilled minimum wage–reliant employment across a variety of industries, interspersed with periods of unemployment. This pattern was commonly observed among participants in this research.

This employment pattern was driven by significant barriers in both obtaining and maintaining employment, including mental illness, disability and poor English language skills. These participants had few opportunities, leading them into relatively low-wage casual positions. They tended not to be discerning in their employment choices, accepting whatever was available to them. They were often accustomed to leaving workplaces after a short period, either through retrenchment, or resigning if they felt unable to perform their duties or uncomfortable in the work environment.

This path was typified by extended periods of unemployment, reflecting difficulty in finding work, but also a lack of motivation to work or self-efficacy generally. Most of these participants expressed a preference for being employed in some capacity (all participants were currently employed) and a need for wages income. However, many also considered their eligibility for government allowances, and in some cases chose to work fewer hours to preserve this income. Moreover, the regularity with which they experienced long periods of unemployment served to weaken their confidence and their employability, often leading to a spiral of increasingly marginal attachment to the workforce.

In almost all cases, these participants were paid minimum wages (or in some cases seemingly less than the minimum rate) in occupations such as factory work, retail, or labouring. While mindful of their living costs and maintaining their desired living standard, simply obtaining and maintaining work of any kind was the salient issue, rather than finding better paid work or progressing up classifications. The employees in this research did not demonstrate any inclination to negotiate for wages or conditions of employment.

Due to their marginal attachment and engagement in unskilled and low-skilled tasks, these employees were unlikely to receive training through their employers and many had become ‘stuck’ in low-skilled, minimum wage–reliant work, with few opportunities to develop skills or become upwardly mobile at any stage of their employment path.

VIGNETTE 4: Susie

**Job:** Shop assistant

**Industry:** Retail

**Age:** 35–55 years old

**Gender:** Female

**Hours:** 12–20 per week

**Wage:** $16 per hour

**Employment:** Casual

**Location:** Sydney

Susie graduated from secondary school and commenced a business course at college. She did not find the course interesting so left without completing it. She obtained casual employment in a retail outlet, but fell
out of favour with the manager and left after not being allocated shifts.

’So I didn’t last long in my job. As a casual, as I was, you had little rights.’

After a period of unemployment, she obtained a job working in a warehouse with her father. The location was inconvenient and the wages were low, so when her father resigned, she did too. After a short period of unemployment, Susie then applied for work in an abattoir that was keen for new recruits and paying full-adult award rates to all employees, regardless of age. She was employed as a ‘learner’ in boning, one of the skilled occupational areas in the abattoir. After two weeks in a refrigerated working environment Susie became ill and was not able to work, and lost her job.

‘I was laid up with flu. I lost my place and the company just didn’t seem to care. I’m not sure whether they thought it was just a try on and I wasn’t really sick.’

Susie then obtained temporary casual work, administered at an employment office and allocated on a daily basis for a period of two months. The work was inconsistent and some days there was no work available at all.

At the age of 21 Susie moved from Queensland to Sydney. She found it very difficult to establish herself there, and was unemployed for several months.

In an attempt to increase her employability, she completed a three-month course at TAFE, covering office skills. This allowed her to find periodic employment in a series of temporary administration jobs. The availability of work was inconsistent. She was placed with businesses for between two weeks and three months, but most of the time she was unemployed.

Needing more secure income, Susie obtained work as a taxi driver. Unofficially, she started driving back-to-back shifts, for twelve hours at a time. Such long shifts affected her driving abilities and after narrowly avoiding an accident she ended this work.

Susie became clinically depressed after this experience, and was unemployed for three years. She did not see any point in looking for work during this time.

‘The way I see it, my age, my lifestyle, my social class, etc. it’s not a good picture. At that point in my life, when you go for a job, they’re not calling you back very often.’

Susie then obtained public housing. This served as an additional disincentive to seek work:

‘Well a roof over your head is a sure thing. You pay a fair bit. You pay more for that roof when you go out to work so the incentive to work is heavily reduced. On top of the tax rate that is coming out of your pay, [then] you’re not far in front of a person on the dole.’

Susie rejoined the labour force approximately one year ago, aged 35 years. She is currently employed casually in a retail food store, working three or four short shifts per week. She decided to work in retail because of her negative experiences working in other industries. While she does not enjoy her job, it provides a relatively consistent income which she appreciates.

Susie believes that her employment path would have been very different if she’d had the opportunity to obtain university qualifications after finishing secondary school.
Short-term minimum wage–reliant employment

Many of the younger participants viewed their current employment as a means of financial support while they undertook higher education in an unrelated field. They had not been discerning about their employment, prioritising hours and shifts to accommodate their studies over training or potential for development. As a result, they were generally drawn to part-time and casual work, and were often employed in the Retail and Accommodation and Food Services industries. In some cases, however, they saw value in establishing employment in an area in some way related to their field of study as a means of increasing their prospects as a graduate.

This group of employees transitioned across minimum wage–reliant employment when and as needed to accommodate changes in their personal situation (e.g. changes in their study program or during a break from study) or if they were unhappy in their work environment. Few demonstrated an inclination to negotiate for higher wages, with most being happy with their pay rate and favouring flexibility over earnings. In some cases, those who had been employed at one workplace for an extended period were promoted to higher classifications and received increases to their wages. This was generally more inadvertent than planned, and while these employees appreciated an increase in their wages, they did not consider this upward mobility. Some participants had declined offers of promotion, concerned that increased responsibilities (and potentially hours) might distract them from their studies.

These employees tended to be aspirational, motivated, and generally confident about their future career paths, expecting to find a suitable position once they graduated and assuming that they would steadily progress within that field with increasing wages and responsibilities. They claimed that pay rate would not be overly important when selecting a graduate job, prioritising, instead the potential for career development and wages growth over time. These employees may remain minimum wage–reliant when they obtain graduate positions or even experience a decrease in their pay rate but most expected to secure a full-time position and have higher earnings than their current wage.

The research uncovered that these expectations were not always realised. Some of the older participants in the research had followed a similar path while studying, intending to establish a long-term career in a specific field but had found it difficult to obtain a suitable position after graduation. Some had become ‘stuck’ in undesirable minimum wage–reliant employment for which they were over-qualified.

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<thead>
<tr>
<th>VIGNETTE 5: Priya</th>
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<tr>
<td><strong>Job:</strong> Shift manager, food service</td>
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<td><strong>Industry:</strong> AFS</td>
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<td><strong>Age:</strong> 36 years old</td>
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<td><strong>Gender:</strong> Female</td>
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<td><strong>Hours:</strong> 20–30 hours per week</td>
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<td><strong>Wage:</strong> $22 per hour</td>
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<td><strong>Employment:</strong> Casual</td>
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<td><strong>Location:</strong> Sydney</td>
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Priya migrated to Australia with her family when she was 13. She completed secondary school and is currently enrolled in university. Priya’s work experience began in Year 10 when she was 14. She was employed casually in an Indian shop as a cashier, working long hours on weekends and earning $13 per hour. She found the hours stressful, but appreciated earning some personal income.

As school became more challenging, Priya’s parents wanted her to devote more time to study so she obtained a less time-intensive casual position in a fast food restaurant, working nine hours a week for $15 per hour. She was working in a kitchen but was not confident as a cook and resigned. Priya quickly obtained another casual position in a retail outlet, with flexible hours that allowed her to work after school and on weekends. This job paid $18 per hour for evening shifts and $15 per hour for weekend shifts. This job was based in the city which meant that Priya often got home quite late at night. This worried Priya’s parents and so they encouraged her to seek alternative employment closer to home.

Priya obtained a casual position at a fast food outlet closer to home that paid $10 per hour. As the pay rate was lower Priya needed to work more hours. So she obtained a similar casual role in another food service outlet. Over several months Priya was promoted to a management position and received an increased wage. Satisfied with the income from her main job, Priya resigned from her second job.

Priya is currently studying a Bachelor of Nursing and is now considering moving out of Food Services employment and seeking an opportunity in a field related to her study. Priya hopes to obtain her qualifications soon and begin working as a registered nurse. She recently applied for a casual position as an assistant in nursing to gain experience while she finishes her studies.

4.3.2 Training and development

Training was considered a conduit to both higher paid and more desirable employment among participants. Overall, employees appreciated the benefits of building a variety of transferable skills that would enhance their employment prospects in various markets and allow them to move up classifications. The value of training was further strengthened in the context of the economic downturn which created a highly competitive labour market.

Many participants had undertaken and paid for training of various types: from formal long-term courses such as trade accreditation and university degrees to shorter courses to build or update skills. Some employees, particularly younger employees and participants looking to change careers, were motivated to invest in more comprehensive vocational training to increase career opportunities in more desirable fields.

Training and development plans also focused on increasing and maintaining employability. In both phases of the research, concern about job security and preserving earnings acted as a strong driver for undertaking training. Participants who did not aspire to move from their current minimum wage–reliant employment still considered training to be important to maintain skills, to protect themselves from replacement by younger, newly trained graduates and to be competitive in the labour market in the event of an unplanned change in their employment situation:

‘That is always a big fear. If you’ve been in any job for any length of time and you get used to using the systems in place in that particular job. You know that if you come to the point where you do need to find yourself a new workplace, you’re competing against school leavers who are far more up-to-date with the latest technology. You are always at a bit of a disadvantage. It is always in the back of your head.’ [Employee, female, 35–55 years, Queensland, phase one]

‘Once I finish this certificate that I’m doing which will put [me up] to a higher grade secretary, then I’ll study another level into accounting, so just move up the ladder a little.’ [Employee, female, 18–35 years, New South Wales, phase one]
Personal investment in training tended to be most common for participants at life ‘transition points’ (e.g. participants who were re-entering the labour market, whose hours had been cut, who were facing increased financial pressure due to a reduction in household income, who were starting a family, and whose children had started school). The life changes either implied or brought about by these situations triggered consideration of employability, career aspirations and job or income security, and/or opened up new opportunities:

‘I’m hoping. I’m going to do this course next year but I’ve been trying to talk it over with my husband about me finishing that library degree. I started 20 years ago so there is no way I can use any credits or anything. I’ve got to start at the bottom again but with him not working, can we do it? We have four kids. But that is my long-term goal … to finish that degree and work in a library. In five years, I hope to be working towards that.’ [Employee, female, 35–55 years, Queensland, phase one]

Though many employees displayed positive intentions about investment in training, the extent to which this translated into uptake varied. Training uptake was largely influenced by an employees’ situation and/or attitude. The costs and time required to complete training meant that it was not a viable option for employees who had heavy financial commitments and/or young children or low incomes. Many intended to study as soon as their situation permitted. Others were deterred due to the potential loss of income in the short-term, claiming that they would complete training when the ‘time arose’ (highlighting the significance of transition points as motivators). Low-skilled employees who had attained a position by chance rather than design often did not know what they needed to do to equip themselves for ‘better’ employment. Many did not have a plan to attain ‘better’ employment and how this might be achieved through training and skills development.

A few unqualified participants in the research showed a degree of cynicism about formal training, claiming that training ‘on the job’ was far more valuable or that increasing their qualifications might price them out of the market:

‘Just depends on how it fits in though, like my circumstances I work a lot, so if I’m at work six hours and also my days can change so you’ve got to—to do a course you have to commit. You have to commit to every Thursday, Friday, Saturday, or whatever.’ [Employee, female, 18–35 years, Melbourne, phase one]

‘I’m happy with my job, where I am, the position I am. I’m not a shit kicker like most people at my job, but I’ve got the bosses on my side anyway, but they won’t give me a pay rise. I’m pretty safe there and I’d like to work as much as I can. We’ll just see what happens after Christmas. I couldn’t see myself working there for the rest of my life but if you get enough money doing a job—I don’t have children. If I had children I probably would go back to TAFE and actually go back and do Year 11 and 12, be a bit more educated anyway. All the jobs that I’ve had are pretty much basic stuff—night fill in a warehouse—jobs that don’t require any brain work anyway.’ [Employee, male, 18–35 years, Queensland, phase one]

Reflecting the diverse approaches to the provision of training revealed in the research with employers, training opportunities for minimum wage–reliant employees in their workplace varied greatly. Some workplaces offered formal training programs for all staff, while in others, all training was ‘on the job’, or comprised periodic short sessions. This was most common for employee participants working in retail, personal services and labouring, where on-the-job training specific to the business requirements was provided, but more general, transferable skills were not often developed. In industries with skills shortages, including Health Care and Social Assistance and Construction, employees received training that was fundamental to their career development, enabling them to move up award classifications and increase their wages.
Overall, the value of training in terms of career progression for employees in this research was not always clear. There were examples where employees had completed numerous courses throughout their employment history in a variety of areas with little, if any, impact on their employment prospects. The extent to which training resulted in real benefits depended on many factors, including aptitude, labour market opportunity, and readiness to change paths, as well as the type and quality of training undertaken. In many cases, participants had completed a course but found it difficult to find employment in the area. Others had found work after completing training, but disliked it or were unsuited to it. For some participants, however, training had opened up opportunities, leading to career progression and wages growth:

‘I really need to be a bit more confident about what I’m doing. I mean the training was great—it gave me inroads. But I think there's more to it than to just have that knowledge. I think I'd really need to do maybe a marketing and a sales course to give me that skill. Or maybe just in time when I understand what's going a bit better. I think that's just the confidence to do it 100 per cent, and not having the stress to worry about if I'm going to survive this month because obviously I'm on one wage, and to have the cash flow coming in.’

[Employee, male, 25–35 years, Queensland, phase two]

4.3.3 Wages growth

The research demonstrated a correlation between wages and career progression for participants: as employees moved up award classifications, their wages increased. For some participants, as their value in the labour market rose, so did the likelihood that they would negotiate for or be offered above-award rates of pay. However, in some occupations and sectors (for example, community services), increased skills did not necessarily create opportunities to negotiate above-award wages. These skilled employees receive increases in their wages as they progress to higher classifications, but will likely remain minimum wage–reliant throughout their employment path, as demonstrated in the following example.

**VIGNETTE 6: Ella**

**Job:** Disability services coordinator  
**Industry:** HCSA  
**Age:** 50s  
**Gender:** Female  
**Hours:** 30 hours per week  
**Wage:** $30 per hour  
**Employment:** Casual  
**Location:** Queensland

Ella has been employed by the same not-for-profit organisation in the disability service industry in regional Queensland since migrating from Germany 12 years ago.

Ella arrived in Australia with experience in disability services, having worked in the field for five years. She trained in Germany, obtaining a tertiary qualification in disability care, and held various positions in the disability services field before deciding to move to Australia to take advantage of what she saw as a more relaxed lifestyle. When she arrived in Cairns, Ella was quickly offered casual employment at a disability...
services organisation, paying $12.80 per hour. Ella thought the wage was extremely low but liked the flexibility of the role and its ‘hands-on’ focus.

‘I’m at the coalface. I’m still with the people I’m responsible for, I still work hands-on, I’ve still got the contact. I’m not just sitting at a desk in an office and doing just the coordination or case management. I really see what is happening with these people so I am in constant contact with the disabled people still.’

Ella’s wage remained at this level for many years, increasing only with mandated award rises. Over time, she became frustrated about how much she was paid. However, although in previous roles in Germany, Ella had negotiated wage increases, she did not attempt to do so here. She assumed that as a not-for-profit organisation paying all staff according to the award, her employer would never consent to an increase:

‘Over the years it was frustrating at times to think really, you’ve got so much responsibility and you’re doing very, very challenging work at times and the money is less than you would earn working in one of those tourist shops or going cleaning and that’s just annoying … It’s a government-funded organisation so they get the funding and it’s not like private enterprise where you can negotiate your wage. It’s a set wage because that’s the wage that’s funded. It’s a not-for-profit organisation. The reward is extremely poor.’

Despite her frustrations, Ella liked the job and so did not attempt to transition. She could see potential for progression into a coordinator role, and so tried to gain more experience in this area, taking advantage of training provided by her employer whenever it was available.

As a result she was promoted to Acting Coordinator six years ago, receiving a wage increase to around $17 per hour. Ella showed aptitude for coordination, and when her boss resigned two years ago, she was promoted to Managing Coordinator. Her promotion came another wage increase. Now her wage is around $30 per hour.

Ella thinks this is a reasonable wage, but believes that as she has now progressed to the highest award classification, she is unlikely to receive another classification-based wage increase in her current workplace. Overall, however, she attributes greater importance to job satisfaction and company culture than wages growth.

‘It’s a good company to work for. It’s got a very good atmosphere and the staff are very valued. I think that’s more important than the increase in wage.’

As the stories of different employment paths demonstrate, wages growth through progressing to a higher classification was not always certain or even likely among participants. In many cases, employees traded off wages for flexible hours or less stressful work. In other cases, competitiveness in the labour market led employees to accept minimum wage–reliant positions where they had previously received above-award wages. Participants with lower levels of employability had not experienced wages growth like that described by other participants and thus relied even more on the increases to statutory minimum wages to maintain their living standards. Others were more focused on longer-term career development than immediate wage rates, but anticipate classification-based opportunities for wages growth or a capacity to negotiate their wage over their employment path:

‘So obviously wages are pretty damn important at the moment. But I think something equally important is being able to grow within or through where I am—that there is incentive to work, it’s not just a day-to-day slog and then that’s it, if you know what I mean? [Employee, male, 25–35 years, Queensland, phase two]"
Other participants on hourly rates found that their wages significantly grew with access to penalty rates and overtime shifts. Often these were a regular occurrence and employees came to rely on this income to fund their desired living standards. However, through the downturn, these shifts were cut back by employers and consequently incomes were reduced. In the second phase of the research, some employees reported that these hours were now being offered again or increased but they acknowledged that this income from higher hourly rates could not be guaranteed, and there was a risk in relying on this income.

4.4 Wage-setting and negotiation

4.4.1 Knowledge of wage-setting and attitudes to negotiation

Participants were recruited on the basis that they were currently minimum wage-reliant. All participants were either aware or made aware through the recruitment process that their wages were set via an award rate. However, the recruitment process uncovered a mixed degree of knowledge of award wages among employees. Further, when recounting their employment history, few employees could confidently report how their wages were set or if they had progressed up classifications/grades. Rather, most participants viewed wages growth in the context of what was being offered for that type of work, that is, ‘the standard rate’, or ‘the market rate’, or ‘the going rate’ for their occupation and responsibilities. For most employees, while they appreciated higher pay rates, the distinction between a rate being ‘award’ and ‘over-award’ was inconsequential. Specific wage rates and the instrument that determined their pay rate were both less significant and less salient than general wage trajectories.

Attitudes to wage rates and negotiation among participants generally reflected the different perspectives employees had on employment and their long-term aspirations. In general, those planning to establish and develop a career were more focused on having a higher wage in the future than their current wage rate. In some cases, participants had changed paths and experienced a reduction in their wage where they had chosen employment with potential for career progression and wages growth over time. By contrast, participants less focused on career progression tended to be more conscious of their current pay rate. Some were also aware of current award rates and ‘market rates’ for their industry. These employees were also conscious of their wage rate compared to the cost of working and were aware of hourly rate increases, penalty rates and overtime payments. These factors greatly influenced their attitudes toward negotiating:

‘[Wages] are pretty important but you have to go to quick compromises and be realistic, because sometimes you are getting $3.00 an hour more somewhere else, but the travel to get there is 30 kilometres a morning more and you sort of say to yourself, is it worth it? Am I going to travel 30 kilometres for $3.00 an hour?’
[Employee, male, 25–35 years, Melbourne, phase two]

Inclination to seek information from prospective employers about wage rates also varied in similar way. Employees with career aspirations had not often enquired about rates of pay when applying for jobs, assuming that building their career would deliver wages growth in the longer term. Where wages income was a more immediate priority for employees, enquiring about and negotiating increases was common. It was, however, dependent on their confidence and perceived security in their position as well demand for their skills. Many employees highlighted the importance of having marketable skills to this end:

‘It comes back to what the employer is willing to pay you for your skills. If you can earn a fixed amount and they’re only able to pay you this amount, well that’s where you can go through it with an employer. That’s when you have an upper hand if you’ve got the right skills.’ [Employee, male, 35–55 years, New South Wales, phase one]
Marginally attached and unskilled employees showed little inclination to negotiate or enquire about possible wage increases, reflecting their lack of confidence:

‘I just always felt that if you think I’m good, you should do it yourself. I never felt like asking. It’s never been in me to demand because I feel that if you think I should be paid better, it should come naturally from you.’ [Employee, male, 35–55 years, Melbourne, phase two]

Attitudes to negotiation also reflected the wage-setting arrangements in different workplaces and knowledge of how wage rates were determined. In organisations with highly structured wage-setting arrangements, employees assumed that there was no possibility of over-award pay and thus were unlikely to attempt negotiating a higher wage:

‘As an individual you can’t do that. It’s not like a company where you can go and say, look, I’m doing this so I think you should pay me this. You can’t do that … The wages are already set.’ [Employee, female, 35–55 years, Queensland, phase two]

‘It’s a government funded organisation so they get the funding and it’s not like private enterprise where you can negotiate your wage. It’s a set wage because that’s the wage that’s funded. It’s a not for profit organisation. The reward is extremely poor.’ [Employee, female, 35–55 years, Queensland, phase two]

The inclination of employees in this research to negotiate was cultivated by a range of factors. These factors included their financial need, their employment aspirations (whether they were developing a career or simply performing a job), their employability, their confidence, motivation and interpersonal skills, opportunities in the workplace; and their comprehension of the wage-setting environment. Employees in this research required the absence of a structural or cultural workplace barrier preventing negotiation in order to feel confident or even permitted to negotiate.

Where employees had negotiated or were inclined to negotiate with their employer, the hourly pay rate was only one of numerous employment conditions that employees considered. Other requests including increasing or changing hours of work, working shifts that attracted penalty rates and working overtime were also considered.

4.5 Strategies for responding to changing employment

While appreciative of simply being employed during the economic downturn, the changing employment conditions experienced by many participants greatly increased the level of pressure and stress in their lives. Concern over job security led many employees to have a cautious outlook regarding spending and also their labour market mobility decisions (which may otherwise have improved their quality of work and their lives). In 2010, concern about job security appeared to have lessened to some extent, though difficulty in meeting living costs was perhaps even more important due to increases in interest rates and perceived rises in the costs of many goods and services.

In a similar manner to adjustment strategies used by employers in response to pressures on their business, employees sought to respond to changes in their circumstances by using a wide range of approaches. Some sought to increase income while others sought to control expenditure. Many used multiple strategies to maintain living standards and quality of life or to simply ’make ends meet’ in changing circumstances. Others who may not have been directly affected by employment changes also used cautious approaches such as curbing spending and enhancing job security in a similar manner to those more directly affected.

While some proactively responded to avoid a change in their living standards or circumstances, others responded by lowering expectations or choosing to (temporarily) accept a lower standard of work
or living. Further, in the context of cautious or risk-averse attitudes, decisions not to proceed with a previously intended or desired action (such as changing jobs, negotiating a pay rise above the minimum level or making particular purchases or lifestyle decisions) were common. Instead, these decisions were delayed until conditions had improved or employment circumstances had become secure. These decisions had varying levels of impact on current living standards and quality of life:

‘At the moment I don’t earn very much but the job is comfortable. I know what I’m doing. I know that I’m good at my job. I get treated well there. I have contemplated trying something different where I get paid more but it does scare me quite a bit. I realise how lucky I am to have a boss who cares about his staff.’ [Employee, female, 18–25 years, Perth, phase two]

Younger employees articulated a number of concerns about cost-of-living increases. However, a substantial cohort was protected to some extent from its effects through assistance from parents and generally having fewer financial commitments. Many of these employees were attempting to establish financial independence from their parents and/or save for the future but were still receiving some degree of support for living costs and hence were less affected when their employment conditions changed. Those who could not access financial support (from parents or others) were more concerned with living costs and affording necessities such as housing and food:

‘As I am still living at home I don’t have the standard living expenses. I manage my money to pay my car expenses, money for going out and shopping.’ [Employee, female, 18–25 years, Adelaide, phase two]

‘If I didn’t have my job I wouldn’t survive. I don’t have rich parents or a wealthy partner to fall back on. I don’t even have savings to fall back on until I find another job. I am working at the moment and still cannot afford the luxuries in life like getting my hair done. I even struggle to get my car fixed.’ [Employee, female, 18–25 years, Melbourne, phase two]

It is important to consider the diversity of minimum wage–reliant employees in this research when determining their ability to meet living costs and the level of adjustment required in response to decreased wages. Employees in this research were from varying socio-economic circumstances and thought about the ‘costs of living’ in different ways. For some living costs referred to housing and essential food (groceries), transport, utilities and services (healthcare, childcare). For others, living costs extended to include goods and services that ‘enhance’ their lifestyle, including socialising and entertainment, holidays and private school education:

‘With my husband’s job because it’s always up and down and I said I don’t care what happens as long as we get the three of them through private education.’ [Employee, female, 35–55 years, New South Wales, phase one]

‘I am financially dependent on my parents. Anything that I earn from my job is saved or spent on the extra leisure of life such as buying books, jewellery, cosmetics, clothes.’ [Employee, female, 18–25 years, Melbourne, phase one]

Similarly, there was considerable variation in the nature and, by extension costs, of ‘essential’ expenses. For some participants, housing costs comprised paying rent on a studio apartment, for others this meant repaying a mortgage on a three-bedroom house. Transport costs referred to public transport for some, but for others this meant running a family-sized car. The instability of the labour market and changing circumstances had lead some participants to reassess what was ‘essential’ and what was ‘discretionary’ spending. Having a more a secure or ‘base’ income made this process easier, as outlined in the following example:
‘Yes, this year I have been working varied hours covering sick leave [and] holidays of other staff. My husband’s work situation has not been stable but next year is looking better, with at least one of us (me) working full-time … [M]y husband is job-hunting but still working part time … [W]e will at least have a base income to work from and will be able to budget better, because we will know what amount to expect each week. In terms of living expenses, they are ever changing. Our son is almost one and the cost of things like nappies and formula can get ridiculous. I make all his food, so that is one less expense … I was going to use cloth nappies but I’m just not that much of a saint. So that is an expense I am willing to fork out for.’ [Employee, female, 18–25 years, South Australia, phase one]

With the diversity of employees and their attitudes, expectations of what constitutes a ‘decent’ standard of living varied. While almost all employees were cognisant of fundamental aspects contributing to a ‘basic’ standard of living (i.e. housing and food), many viewed a ‘decent’ standard of living as offering something beyond that if possible, or at least offering the promise or potential of something beyond the basics such as food and shelter. This ‘something’ varied according to the personal circumstances, interests and aspirations of participants but included such things as being able to afford treats for the children, to take occasional holidays and to socialise with friends on weekends.

While the consideration and definition of ‘basic’ expenses varied by individual, overall there was a consensus among participants that costs had continued to rise in 2010, yet wages had not. This was creating an increased disparity between living costs and income for employees in the research. Commonly cited living costs that continued to place most pressure on households included:

- **Groceries**—thought to be becoming increasingly expensive. Some claimed that the downturn had served to inflate prices, by removing competition so that the ‘big players’ could charge more. In Perth it was reported that the media had publicised that groceries were more expensive in WA than they were anywhere else in Australia, and this was not thought to be fair.

- **Housing**—cited as a rapidly increasing expense, particularly for those in urban centres (Melbourne, Sydney, Perth). Many asserted that increases to both interest rates and rents were putting a great deal of pressure on households. Some felt this was exacerbated by population growth and immigration, both topical issues at the time of the research.

- **Rising interest rates**—reported to be placing pressure on employees who had personal loans and credit card debt. This was particularly evident among a number of younger employees.

- **Petrol prices**—thought to be ever-increasing. Even though the price of fuel had decreased from its peak price, it was perceived to be rising again and would continue to be a significant living cost pressure in 2010.

- **Utilities**—were also thought to have risen. A number of people reported increases in electricity bills and having to seek extensions in order to pay them.

The financial costs of working were similarly thought to have increased. Participants particularly highlighted:

- **Transport**—those who had to travel a great deal to and from work were particularly sensitive to both petrol prices and costs of public transport, both of which were thought to have increased. The additional costs of maintaining a vehicle were also highlighted, particularly in areas with limited public transport. (Some employees considered moving to save on rent, but were dissuaded from doing so when calculating the subsequent increase in transport costs this would entail.)
• Childcare—childcare was perhaps the most significant cost of working for participants with young children, to the extent that for many it served as a disincentive to work. While most participants claimed that it was difficult to meet their living costs, employees on lower wages who were not supported by other means—particularly those with dependants—found the changing employment conditions the most challenging. Participants on relatively higher wages, in dual income households, and/or without dependants, were also critical of living costs. However, their challenges were in maintaining a certain lifestyle rather than basic needs.

Participants from single-wage households generally saw their situation as more challenging than participants who had multiple income sources. Participants from dual income households could plan for and attain more costly non-essential goods and services such as holidays or private education for children.

A number of employees commented that a reduction in income proved challenging when they had become used to a certain level of income or earnings per week. If shifts were cut, or hourly rates changed, employees found it difficult to adjust and compensate for this, especially initially, having built up and maintained a certain standard of living through their income. Strategies to adjust to a reduced level of income focused on avenues to increase income and/or adjust expenditure and living standards accordingly.

The main adjustment strategies of participants and decisions in response to changing employment circumstances have been grouped into employment and income-related strategies, and expenditure and living standards.

4.5.1 Employment and income-related strategies

Proactive strategies aimed at improving income, or minimising the extent of reduced income, included:

• Working more than one job—combining work in multiple jobs to maintain a combined overall income through wages, especially where casual hours had been reduced:

  ‘I have two jobs. One is a retailer, which is my main job. It’s a casual position in a bike shop. I also am a sales rep for a Melbourne-based company. That is a commission-based job. I juggle the two together. The casual job is about 34 hours a week, the rest I spend servicing clients and so forth. I have a wife, a daughter and another one on the way, also a house which is mortgaged. I’m the only breadwinner in the family at the moment.’
  [Employee, male, 18–35 years, Queensland, phase one]

  ‘I am so worried about my situation—how will I be able to support my family on minimal wages? Especially when half my wages goes on rent alone. I want to stay where I am, if the company wants to keep me long-term and pay me a higher wage. At the moment I am barely making ends meet so I have only two options. I have applied for a promotion and more money; otherwise I’ll have to get a second job. My wife will have to go to work when she arrives in Australia.’  [Employee, male, 36–55 years, Sydney, phase two]

• Actively finding more hours or working different hours in current job—through working ‘undesirable’ shifts they had previously chosen not to work (e.g. night shift) or proactively volunteering for overtime. This was to access additional income to meet costs of living, or was related to exhibiting ‘the right attitude’ to employers, thereby demonstrating loyalty and increasing job security:

  ‘I don’t really have much of a life myself. I start work at three in the morning and finish roughly at 12 in the afternoon...Leading up to Christmas we’re doing 13 and 14 hour shifts. That’s just standing up all day in the one spot basically and you get home and you don’t feel like socialising, that’s for sure. Cruise to bed at whatever time and wake up at three in the morning. You don’t have much of a life. Come the weekends, out
on Saturday, if I’m not working Sunday, by 9pm you’re stuffed. You can’t do anything, it’s time for bed. So I’m just looking for more hours. If I don’t have a life now I might as well get in, get the hours, spend money while I’m awake and dream about it while I’m asleep. Why not? Working, paying off a [car] and fuel into it every day, getting a unit lined up. Basically that’s it.’ [Employee, male, 18–35 years, Queensland, phase one]

• **Looking for more secure work or work with less reliance on casual shifts**—securing permanent employment (full-time or part-time) rather than the usual arrangements that had previously been preferred for the higher rates of pay and greater flexibility. Employees mentioned prioritising steady, reliable income over potentially higher hourly rates. Job satisfaction was also traded off for reliable income. In 2010, this was less commonly observed:

  ‘I’m currently working in retail, and I don’t enjoy it … however, there are things that I do enjoy at my workplace. It’s steady work and I have set hours so I know that I have a steady income. I also receive bonuses and rewards for making budget which adds to the experience.’ [Employee, female, 18–25 years, Adelaide, phase one]

• **Working harder or increasing productivity**—by changing work ethic (working harder, or expending more effort at work). This was prompted by concerns over business viability as well as employees’ desire to be regarded as a ‘good worker’ resulting in more or better hours, or in retaining their job. Similarly, in 2010, there appeared to be fewer examples of this:

  ‘When I moved to the city in June it took me a good month-and-a-half to secure a job. I went through newspapers, websites, everything to find something that suits. I think my age hindered my success. Now that I have a job, I’m working hard to keep it and to achieve good results …’ [Employee, male, 18–25 years, Perth, phase one]

• **Investing in training**—as a means of increasing wages through working at a higher classification or negotiating an increase above the minimum rate. However, the confidence developed through undertaking training appeared to be tempered by concern about labour market instability:

  ‘So if you do get qualifications then it makes it more of an employee's market rather than employer's because you can choose your own work, choose your commission because you are qualified, you are sought after.’ [Employee, male, 18–35 years, New South Wales, phase one]

In response to decreased wages, some employees had the option of alternative sources of income to make up the shortfall in their wages income. These employees often did not consider any strategies to maintain their wages or to reduce their expenses. Instead, these participants chose to rely on other income streams, including parents’ or partners’ earnings and in some cases, government benefits, until their wages increased:

  ‘My income helps because we’ve put our three sons through private education and it certainly helped when my husband lost his overtime and we took it as a bonus and not as, “it’s coming”.’ [Employee, female, 35–55 years, New South Wales, phase one]

The research did not examine any strains this reliance may have placed on the alternative sources, or on household income as a whole. For several younger employees, their own income was generally used for discretionary spending or savings. Regardless of fluctuations in their wages income they would continue to depend on their parents to meet a large portion of their living costs—when their wages decreased, their reliance on parental income generally increased. For younger employees who were living independently, there was more pressure to be able to manage financially although several younger participants talked about how they have a ‘back-up’ to turn to if their financial situation became unmanageable:
‘I don’t know. Money's hard, especially with this car thing right now. It depresses the hell out of me but I just have to keep working. I’ve got third party but it’s only a ‘95 Corolla. I didn’t get comprehensive insurance, I should have. It’s stupid saying I’m independent because I’m not. My mum’s the one who’s going to pay for it and I’m going to pay her back and I feel guilty about that.’ [Employee, female, 18–25 years, Perth, phase two]

4.5.2 Expenditure and living standards

Closely controlling expenditure and limiting expenses were common adjustment strategies adopted by participants in order to meet living costs. In the first phase of research, these strategies appeared to be prompted by a reduction in wages income. These strategies appeared to have been maintained in the second phase of the research in response to rising living costs. There was evidence of a considerable ‘tightening of belts’ among participants in relation to perceived luxuries. Their wages income that had previously been considered ‘discretionary’ was used to shore up household finances if income had been lost elsewhere (e.g. the main income had been reduced). Further, some employees appeared to be using their (secondary) income to service debt that they had accumulated during periods of reduced income as increasing interest rates were a considered a challenge to quick repayment.

The main adjustment strategies used to meet living costs included:

- **Budgeting and reducing discretionary spending**—deciding not to proceed with a previously intended or desired purchase, or on a day-to-day level, seeking out shops or markets with more competitive pricing or buying generic brands:

  ‘My parents have cut back on a few luxuries since the financial collapse. We eat out less and try to keep big purchases to a minimum.’ [Employee, male, 18–25 years, Sydney, phase one]

- **Managing debt and increasing saving**—reduction of or avoiding debt, where feasible, was common. Employees sought to (further) prioritise mortgage payments over other expenses, or to defer purchases which would involve greater debt (e.g. to continue renting rather than buying a home, or reduce credit card usage). Participants with capacity to save or spend were generally choosing to save:

  ‘I know it [the GFC] has definitely stopped me from getting a credit card or personal loan and I have noticed that my friends and I have stopped going out as much and we are saving our money a lot more than a few years ago. But I guess that is also because we are getting older and are saving for things like overseas trips and houses.’ [Employee, female, 18–25 years, New South Wales, phase one]

- **Increasing reliance on debt**—some participants needed to rely more frequently on credit cards, using extended payment periods or seeking loans to meet existing expenses. This included using credit to meet essential living costs and services such as food and utility bills. Several employees were hoping to reduce this debt in 2010 but cited rising interest rates as an additional barrier to doing so:

  ‘We both have personal loans, and with interest rates rising, both our loans have had interest rate rises. These rises have not been felt on a weekly basis, but if they continue to rise they do impact on our expendable money. If we were to earn more money we would use this to get ahead with personal loans and credit cards.’ [Employee, female, 18–25 years, Melbourne, phase two]
Experiences and strategies related to lowering expectations or standards, or delaying improvements to work and lifestyle included:

- postponing leave or holidays
- reducing non-essential purchases
- reducing ongoing leisure activities
- choosing cheaper alternatives.

‘I live more towards the simple life … I’ve cut back, like food … I won’t cut back too much on that … Just other stuff like I used to go to footy more, [now] I go less and stuff like that … I’m looking at other hobbies now.’ [Employee, male, 18–35 years, Melbourne, phase one]

Strategies related to compromising work and career choices included:

- **Delaying or not considering mobility or career transition**—with limited opportunities, participants were wary of testing the ‘unknown’ of alternative employment and instead were remaining in their current employment. This wariness persisted despite perceived improvement in the labour market. Many employees continued to feel that it was prudent to exercise caution around their employment decisions. This was less apparent among younger workers, many of whom expressed an inclination to transition:

  ‘You know, they can promise you the world before you get there, and then when you get there, everything changes—things like that—and yes it is a full-time job, and you know maybe two, three to six months down the track, oh, it’s back to part-time instead of full-time.’

  ‘Or after three months, “sorry it didn’t work out”.’

  ‘Yeah, trial.’

  ‘And you’re like, I just left my 10-year job and you’re telling me this—what am I supposed to do now? I’ve got a mortgage.’

  [Employees, female, 35–55 years, Melbourne, phase one]

- **Accepting less desirable working conditions**—during the downturn period participants were pessimistic about their employment options, asserting that in many markets, there were few desirable jobs available. Moreover, a perceived increase in casual employment was seen as indicative of a more ruthless attitude to staffing among employers. Willingness to accept less desirable working conditions appeared slightly less prevalent in the second phase of research, as optimism about labour market opportunities rose:

  ‘Even if you don’t like your job you may as well stick to it—at least it’s employment.’ [Employee, female, 35–55 years, Melbourne, phase one]

  ‘I have probably accepted the way they treat me which I find horrible. I don’t really like my job. I mean I love my job but I don’t like the way the people treat me because I am the junior. You better get in there and get that washing up done. I’m not kidding.’ [Employee, female, 35–55 years, Queensland, phase one]

  ‘There’s work always there but no one’s willing to pay a decent wage; they’re all tight, all in for the money for themselves really. So you’re basically just slaves.’ [Employee, male, 18–35 years, Queensland, phase one]
There was a sense of frustration among some participants in both phases of the study about having to employ strategies to meet their essential living costs. These participants felt that regardless of economic conditions, wages should enable people to meet their ‘basic’ costs of living without having to make significant compromises:

‘It’s never enough really, you always want more and compared to the cost of living it’s a real struggle.’
[Employee, male, 18–35 years, Queensland, phase one]

‘I’ve just taken on a loan from the bank. I’ve been quite sick, almost in hospital about a month ago. I’ve used all my sick leave so I’ve had a few days this week where I really, really shouldn’t have been at work but I can’t afford to take that time off work because I’ve no sick pay. I only had two or three days built up from working for six months, but I’ve used it and it’s gone, so I need to go home six hours early but that’s my food for the week if I go home. That’s a pressure for me and my lifestyle that I have to go to work. Nothing really can stop me because I’ve got my rent to pay, I’ve got food, I’ve got electricity and I’ve got every other necessity that you can have and fuel is just outrageous at the moment. It is just outrageous.’
[Employee, female, 18–35 years, Queensland, phase one]

‘I have a real issue with the basic wage. I just think who deemed that, you know, my labour’s worth $16 an hour? I’ll never get to own my own home. A lot of my friends have acquired a home through a marriage when they’ve broken up. I’ve never been married so I’ll never get to own my own home and especially not on $16 an hour. I think that’s really unfair. I think it’s a basic right that everyone should have.’
[Employee, female, 35–55 years, Perth, phase two]

4.6 Workforce participation and social inclusion

4.6.1 Aspects of workforce participation

In examining some of the benefits and challenges of remaining attached to the labour market through 2009 and 2010, the research with employees (and to some extent employers) underlined how paid employment can facilitate aspects of social inclusion, but also how it can inhibit social inclusion and potentially discourage continued or increased workforce participation.

Some aspects of working in minimum wage–reliant employment identified through this research are not necessarily specific to being paid a minimum wage, and may reflect employment more generally.

From an overarching perspective for employees in this research, workforce participation was generally considered indicative of being ‘socially included’ and a part of mainstream society. References to income through wages was a very strong theme in terms of being able to achieve the living standards that people sought or aspired to and to actively contribute to society through taxes and other payments:

‘Earning income, and being part of society, and not dropping below the belt where you can’t do things or can’t go shopping, and can’t be part of that wheel where you are being productive and progressive.’
[Employee, female, 18–35 years, Melbourne, phase one]

Further, in terms of personal development and wellbeing, being in paid employment compared favourably to ‘welfare dependency’ and ‘being on Centrelink’ which was generally considered symptomatic of marginalisation, social isolation and limited personal development:

‘It’s very isolating if you don’t have somewhere to go every day.’
[Employee, female, 35–55 years, Melbourne, phase one]

‘I find the people I know who are working are a lot happier than the few I know that sit at home on Centrelink benefits.’
[Employee, female, 18–25 years, South Australia, phase one]
Participants detailed a range of benefits associated with minimum wage–reliant employment that facilitated social inclusion and were viewed as positive aspects of workforce participation. These ranged from fairly basic benefits—such as the financial means to live, engagement with others, and a sense of identity and purpose—to having a greater degree of freedom and more lifestyle friendships, happiness and independence.

As a general rule, employment was thought to provide such opportunities, but in reality this was not always the case, particularly for employees in the lower range of income dispersion. For these employees, workforce participation could lead to difficulties in accessing resources, and limit choices in life, restrict opportunities for development and have adverse effects on health and self perceptions. In some cases, their current employment arrangements inhibited aspects considered to be highly relevant for social and economic participation. In some extreme cases, uncontrollable changes to working conditions and perceived vulnerability in the highly competitive jobs market, combined with overall low income levels, lead some to question the value of workforce participation.

Three main areas are covered in the following section of the report:

- income to access resources
- work patterns and conditions of employment
- skills and personal development.

**Income to access resources**

The provision of income through wages affected employees’ access to resources. At a basic level, wages provided funds to pay for ‘essentials’ such as housing, food, and childcare. Working was considered a necessity to cover essential living costs for the main income earners at the lower end of the earnings distribution, sole income earners, and often of those with dependants. Paid employment was a means for maintaining a certain standard of living (though sometimes at a struggle) and provide for dependants.

In terms of an income safety net, a minimum wage which provides discernable financial gain compared to being ‘on welfare’ was strongly articulated as important when making decisions about employment. The ‘safety net’ was considered in terms of an appropriate pay rate for the work performed, and also the take home pay which factored in hours worked in a pay period and paying tax. Many of the participants employed on a casual basis did not have such an income safety net. The variability of their wage generally made budgeting and planning very challenging. For those who did not have additional income sources, accessing resources to improve their standard of living was difficult.

There were instances, particularly in 2009, where employees who experienced a reduction in their wages (due to reductions in hours worked, reduced overtime and penalty rate payments), coupled with increasing costs, found it difficult to access resources including goods, services and credit. Priorities for expenditure necessarily became essential needs and provisions. Financial management practices were put in place to cover essential living expenses. For some it was ‘a struggle’, and the stressful situation had related implications for health, wellbeing and relationships:

‘It just becomes a constant. You’re always thinking of the other stresses that are paying the bills or this or that.’

[Employee, male, 18–35 years, Queensland, phase one]

‘It affects me, sometimes when I haven’t got enough hours and I wish I had more. When I had more I wish I had less, because my type of job, I maybe work seven hours, but there could be three hours in that, or two and a half which is absolute hell. It’s hard to explain. Lifting, moving stuff, filling orders and it’s mentally—it is,
when I say exhausting and it does affect - but then it goes away, it is a high pressure work. I understand when I’m hearing newspapers people that have got a big intense pressure with their jobs.’ [Employee, male, 18–35 years, Melbourne, phase one]

‘I need assistance with my children and I need assistance with rent. I was only earning $480 at the time and rent was $295 a week so it’s very difficult to try and raise three children. I had no car so I had to bus it to and from work … I’m working full time. I’ve got a full time job. All I wanted was help under the situation that I was in and many other people that I know are in the same boat.’ [Employee, female, 35-55 years, Perth, phase two]

In instances where employees considered their wages a supplement to their government allowances, increasing participation and wages were not always desired. This was often driven by the need to access welfare and community services, such as childcare rebates and tax benefits. For others, there appeared to be a disincentive to work if their wages were particularly low (due to severe reductions in hours worked).

Accessing resources including childcare, and where applicable, training, as well as other costs of working (including transport) were considered to greatly influence levels of workforce participation. For some casual employees who experienced a reduction in shift length (minimum engagement), in the most extreme cases, actual earnings from work did not cover the cost of transport to and from the workplace or the cost of childcare. This scenario was reported to be a significant barrier to maintaining workforce participation:

‘Childcare is going to be increased to between $13 and $22 a day more. So now I’m contemplating [if I] should keep working or not work at all? Here is someone who wants to work, but they’re going to be upping [childcare] fees and I’m not getting any support from my ex. I’m sure I’m not the only one in that position. It makes it really difficult because my wage isn’t going up. It is just crazy. It is just insane.’ [Employee, female, 35–55 years, Queensland, phase one]

Work patterns and conditions of employment

The negative effects of some working arrangements were raised in discussions. Where wages were low and desired income had to be generated through working excessive hours, participants found this to be detrimental to many aspects of social inclusion. Definitions of excessive hours varied according to individual, personal, family and lifestyle needs. For example, could excessive hours for students be more than 20 hours a week because longer hours could interfere with study commitments, while for other participants working multiple jobs or relying on regular paid overtime, regular working weeks were between 50 and 60 hours (see previous discussion of work hours and employment strategies).

Similarly, some employees were concerned about inflexible or unsociable hours of work, which they felt they had to work in order to top up their basic wages with penalty rates or overtime payments. In these instances, employees were generally not looking to increase their workforce participation in terms of working a greater number of hours. Participants expressed that working in particular jobs limited their ability to connect with others. This was more prevalent among employees who were employed on a casual basis or who were in lower paying industries involving a range of variable working hours or shifts.

The impact of these factors meant that for some, employment could be isolating with hours and conditions leaving them segregated from their social networks. For others, these employment arrangements were considered to put added strain on health and wellbeing, particularly through the onset of stress and fatigue associated with long hours, work pressures and balancing these with other life demands. For some, this had appeared to increase during the downturn:
‘I was actually being paid for what was essentially two jobs and I was doing a lot of excess hours ... I was almost running the car off the road and getting to Sunday night and getting headaches at the thought of having to get up and go to work the next day.’ [Employee, female, 35–55 years, Queensland, phase one]

Participants also mentioned some of the physical demands of their work and the effect—either in the short-term or long-term—on their health. Also, employers’ increased expectations of productivity were placing added pressure on some participants. In these circumstances, employees balanced concerns over job and income security with work intensification and physical stress in their decisions about employment:

‘If you’ve got a physical job, like a labourer or something, there’s the physical strain on your body.’ [Employee, male, 18–35 years, New South Wales, phase one]

‘... extra pressure was placed to complete more work and take on extra tasks within the same job.’ [Employee, female, 35–55 years, Queensland, phase one]

Skills and personal development

Employees in this research noted that workforce participation provided opportunities for development of both work-specific and general life skills. Much of the focus of discussions in this regard was on developing job-specific skills to meet their current employer’s requirements, rather than developing transferable skills and gaining qualifications. It was generally felt that gaining experience and maintaining, or (in some cases), developing skills facilitated longer term labour market attachment and mobility. Further, experience and skills development was generally thought to create opportunities, including opportunities to transition from casual arrangements to permanent employment thereby increasing workforce participation. It was also thought to increase employees’ capacity to expect or demand higher financial reward for effort, either through commissions or through higher payments per hour worked.

Workforce participation also provided opportunities for developing broader life skills and personal aptitudes. This was more evident among younger employees, though not exclusively so. These personal skills were considered to strengthen employability, which in turn increased opportunity for workforce participation. However, there were some examples where employment did not foster and encourage skills growth, limiting the capacity for employees to progress. This was most apparent among participants who had remained in low skilled employment with little or no upward mobility through their employment path:

‘I think you've got four or five days a year you can use at my work for example to do courses and that is not enough ... That is still in a way generous, but in a way it isn’t, because if you wanted to get your forklift licence which I've got, sometimes it can take longer than that because there are other things you have to get with it like occupational health and safety stuff. I just feel sometimes in the system my company has got, it is more of a gimmick than a genuine pathway.’ [Employee, male, 18–35 years, Melbourne, phase two]

‘I have never had any training at work except one day of safety training the government insisted on. After the training, the boss in a very aggressive way made us sign our attendance signatures, otherwise he would not get the money from the government. In fact it was a waste of time for me as the day was all in English.’ [Employee, female, 36–55 years, Melbourne, phase two]

4.6.2 The decision to work

Employees in this research appeared to have lowered their expectations during 2009 with greater acceptance of lower wages and underemployment through short-time or reduced casual hours. Changes to working conditions, stress, and the related issues affecting quality of life were important considerations when weighing up the benefits of working or increasing workforce participation. The trade-off with government allowances was a genuine consideration for some employees in this research as the incentive to work diminished relative to the security of regular, albeit lower, income from allowances.
Greater confidence about the economy in 2010 appeared to lessen a sense of anxiety about employment among participants in the second stage of the research. This was typically reflected by less preparedness to accept undesirable working conditions, more so than examples of employees achieving the employment conditions and wages they desired. For the unskilled participants in this research that had not (yet) benefited personally from more favourable labour market conditions, the trade-off between wages and government allowances continued. Without the skills, time, resources or self-belief needed to progress, many of these participants remained underemployed in a situation where they were greatly challenged to meet their living costs. It was these employees who were most conscious of the perceived disparity between increasing living costs and their wage rates, and who faced the most challenge in funding their relatively ‘basic’ standard of living.
Appendix A—Recruitment specifications and fieldwork schedule

Recruitment

As outlined in section 1.2 the process of recruitment involved screening and then validating to determine minimum wage reliance.

Employees

The employee screener questionnaire included a series of questions that both directly and indirectly attempted to determine minimum wage reliance.

Where employees had more than one job, they were asked to reference their main job when responding to the survey questions.

Employees were asked about the award and classification they are employed under and to refer to a pay slip where possible.

Questions were asked about the industry their employer operates in, the tasks performed in their role and the basic hourly pay rate they received. This information was used to determine the industrial instrument and classification under which they were employed. Further questions about employment arrangements, the name of their employer, hours worked, leave entitlements, educational attainment, length of tenure, and date and circumstance of the most recent increase in their hourly pay rate were also asked in order to validate other responses.

Responses to the screener questionnaire were then matched to a specific award to determine whether the basic hourly rate was exactly as set out in the award or transitional pay scale. Where matching was inconclusive, participants were screened in or out according to the proximity of their basic hourly pay rate to the rate set out in awards for the industry, occupation and classification that was most likely to fit their circumstances.

Finally, demographic questions were asked to determine age, gender, and situational factors including living arrangements and responsibility for dependants.

Multiple recruitment screener questionnaires were developed to match the various sample sources and data collection methods in this research.

Employers

A similar process for screening participants was adopted for the recruitment of employers. Questions were asked about how pay and conditions were set for employees; how many employees had pay directly linked to an award or transitional pay scale; which employees were paid according to the minimum rates; and the last occasion when pay rates were increased for employees paid minimum rates. Employers with at least some employees paid according to or with contractual reference to any national system award or transitional pay scale were deemed to be in scope for this research.

Further questions about the business size; industry; responsibilities for business management, including recruitment and setting pay rates; years of operation; and workforce profile, including employment arrangements, were asked in order to obtain representation of variables of interest.

Multiple recruitment screener questionnaires were developed to match the various sample sources and data collection methods in this research.
### Tabulated sample characteristics

#### Employees

**Table 3: Employee characteristics**

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<thead>
<tr>
<th>Gender</th>
<th>PHASE 1</th>
<th>PHASE 2</th>
<th>CALD and Indigenous</th>
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<td>Female</td>
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<th>Location</th>
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<th>PHASE 2</th>
<th>CALD and Indigenous</th>
<th>TOTAL</th>
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<td>26–35 years</td>
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<td>15</td>
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<td>36–55 years</td>
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<th>Employment arrangement</th>
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<th>CALD and Indigenous</th>
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<td>Permanent</td>
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<td>Occupation</td>
<td>Wage</td>
<td>Phase 1</td>
<td>Phase 2</td>
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<tr>
<td>Retail</td>
<td>Sales assistants</td>
<td>$170–$20.50 per hour</td>
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<td>Supervisors</td>
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<td>Storeperson</td>
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<td>Accounts/legal/ bank clerks</td>
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<td>Nurse</td>
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<td>Labourer</td>
<td>$17.10-$21 per hour</td>
<td>1</td>
<td>0</td>
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<tr>
<td></td>
<td>Sprinkler fitter</td>
<td>$14.60 per hour</td>
<td>1</td>
<td>0</td>
</tr>
<tr>
<td></td>
<td>Painter &amp; Decorator</td>
<td>$20.52 per hour</td>
<td>0</td>
<td>1</td>
</tr>
<tr>
<td>Transport, postal and warehousing</td>
<td>Transport workers</td>
<td>$17.45-$23 per hour</td>
<td>2</td>
<td>3</td>
</tr>
<tr>
<td>Personal and other services</td>
<td>Hairdressers</td>
<td>$17–$17.88 per hour</td>
<td>2</td>
<td>0</td>
</tr>
<tr>
<td>Information Media and Telecommunications</td>
<td>Proof Reader/Bookbinder</td>
<td>$17.37 per hour</td>
<td>0</td>
<td>1</td>
</tr>
<tr>
<td></td>
<td>Librarian</td>
<td>$26.36 per hour</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Arts and recreation</td>
<td>Gym instructor</td>
<td>$18.65 per hour</td>
<td>1</td>
<td>0</td>
</tr>
<tr>
<td>Agriculture, Forestry and Fishing</td>
<td>Irrigation Assistant</td>
<td>$18.60 per hour</td>
<td>0</td>
<td>1</td>
</tr>
<tr>
<td>Financial and Insurance Services</td>
<td>Customer Service</td>
<td>$20.54 per hour</td>
<td>0</td>
<td>1</td>
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</table>
Award coverage for employee participants presented by industry

- Retail:
  - Retail Industry Award
  - Federal Retail Award
  - Victorian Shops Interim Award
  - The Shop and Warehouse (Wholesale and Retail Establishments/ State Award) State Award
  - Shop Distributive and Allied Employees’ Association – Hardware Retail Industry Award
  - Commercial Sales Award
  - Shop Distributive and Allied Employees Association - Domino's Pizza Australia Consent Award

- Administrative and Support Services:
  - Clerical and Administrative State Award
  - Clerical Employee Award
  - Victorian Clerical Award
  - Clerical and Administrative Employees Legal Industry Award
  - Parliamentary Services Award
  - Credit Union Award
  - Social and Community Services Award

- Construction:
  - Plumbing Industry Award
  - Transport Workers Award
  - Building and Construction Workers Award
  - Plasterers and Decorators (Mixed Enterprise) Award

- Manufacturing:
  - Cake and Pastry Baking Trades Award
  - Furniture and Furnishings Trade State Award

- Health Care and Social Assistance:
  - Home and Community Care Award
  - Health Employees State Award
  - Social and Community Services Award
  - Children's Services Award

- Accommodation and Food Services:
  - Catering Victoria Award

- Personal and Other Services:
  - Hairdressing and Beauty Services Victorian Award
• Agriculture, Forestry and Fishing:
  – Horticulture Award

• Electricity, Gas, Water and Waste Services:
  – Waste Management Industry Award
  – Cleaning Services Award

• Transport, Postal and Warehousing:
  – Road Transport and Distribution Award
  – Transport Workers Award

• Financial and Insurance Services:
  – Finance Sector Award

• Other Services:
  – Graphic Arts Printing and Publishing Award

• Arts and Recreation:
  – Fitness Industry (Victoria) Interim Award
### Employers

#### Table 4: Employer characteristics

<table>
<thead>
<tr>
<th>Location</th>
<th>Phase 1</th>
<th>Phase 2</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sydney</td>
<td>8</td>
<td>7</td>
<td>15</td>
</tr>
<tr>
<td>NSW regional</td>
<td>4</td>
<td>0</td>
<td>4</td>
</tr>
<tr>
<td>Melbourne</td>
<td>10</td>
<td>4</td>
<td>14</td>
</tr>
<tr>
<td>Brisbane</td>
<td>3</td>
<td>4</td>
<td>7</td>
</tr>
<tr>
<td>QLD regional</td>
<td>4</td>
<td>0</td>
<td>4</td>
</tr>
<tr>
<td>Perth</td>
<td>2</td>
<td>8</td>
<td>10</td>
</tr>
<tr>
<td>Adelaide</td>
<td>4</td>
<td>5</td>
<td>9</td>
</tr>
<tr>
<td>Regional</td>
<td>0</td>
<td>5</td>
<td>5</td>
</tr>
<tr>
<td>SA Regional</td>
<td>0</td>
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<td>2</td>
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<table>
<thead>
<tr>
<th>Industry</th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Manufacturing</td>
<td>8</td>
<td>7</td>
<td>15</td>
</tr>
<tr>
<td>Accommodation and Food Services</td>
<td>5</td>
<td>8</td>
<td>13</td>
</tr>
<tr>
<td>Administration and Support Services</td>
<td>10</td>
<td>5</td>
<td>15</td>
</tr>
<tr>
<td>Retail</td>
<td>6</td>
<td>7</td>
<td>13</td>
</tr>
<tr>
<td>Health Care and Social Assistance</td>
<td>6</td>
<td>8</td>
<td>14</td>
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</table>

<table>
<thead>
<tr>
<th>Size of business</th>
<th></th>
<th></th>
<th></th>
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</thead>
<tbody>
<tr>
<td>Under 10 staff</td>
<td>14</td>
<td>22</td>
<td>36</td>
</tr>
<tr>
<td>10–50 staff</td>
<td>17</td>
<td>8</td>
<td>25</td>
</tr>
<tr>
<td>50–100 staff</td>
<td>6</td>
<td>5</td>
<td>11</td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>Proportion of staff pay linked to award</th>
<th></th>
<th></th>
<th></th>
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</thead>
<tbody>
<tr>
<td>90%–100%</td>
<td>18</td>
<td>19</td>
<td>37</td>
</tr>
<tr>
<td>60–89%</td>
<td>7</td>
<td>7</td>
<td>14</td>
</tr>
<tr>
<td>Under 60%</td>
<td>10</td>
<td>9</td>
<td>19</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Years in operation</th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than 12 months</td>
<td>0</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>1–2 years</td>
<td>0</td>
<td>3</td>
<td>3</td>
</tr>
<tr>
<td>3–5 years</td>
<td>6</td>
<td>7</td>
<td>13</td>
</tr>
<tr>
<td>Over 5 years</td>
<td>28</td>
<td>24</td>
<td>52</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Responsibilities</th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Overall business performance</td>
<td>30</td>
<td>24</td>
<td>54</td>
</tr>
<tr>
<td>Recruitment and wage-setting only</td>
<td>5</td>
<td>11</td>
<td>16</td>
</tr>
</tbody>
</table>
Fieldwork schedule

Focus groups

The table below displays the location and structure of each focus group discussion. Once a pool of screened participants was established, groups were then loosely segmented on the basis of age. The ‘younger’ groups comprised people aged 18–35 years, while the ‘older’ groups comprised people aged 36–55 years.

<table>
<thead>
<tr>
<th>Location</th>
<th>Younger age group</th>
<th>Older age group</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Melbourne (phase 1)</td>
<td>1</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>Wagga Wagga (phase 1)</td>
<td>1</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>Cairns (phase 1)</td>
<td>1</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>Sydney (phase 2)</td>
<td>1</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>Renmark (phase 2)</td>
<td>1</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>Perth (phase 2)</td>
<td>1</td>
<td>1</td>
<td>2</td>
</tr>
</tbody>
</table>

The composition of groups in terms of those with and without dependants varied according to age group. For example, the majority of younger participants did not have children and older participants did have dependent children. Across the sample of employees, the focus groups included a range of hours worked, permanent and casual arrangements and length of tenure with their current employer.

Interactive online discussion forums (bulletin boards)

Participants on the two employee boards were aged 18-25 years and represented a mix of relevant variables in terms of hours worked, permanent or casual employment arrangements, and study commitments.

Participants on the four employer bulletin boards represented a mix of business sizes (micro, small and medium), years of operation and within each industry a variety of sub-classifications as per ANZSIC.

In-depth interviews

All interview participants were responsible for setting pay rates in the business and set wages for the majority of staff via awards or transitional pay scales. The employers interviewed represented a mix of business sizes (from one employee up to 70 employees) and years of operation, and within each industry, a variety of sub-classifications.

Follow-up interviews

Follow-up interviews were conducted in phase two with a number of employees and employers who had taken part in the first phase of the research. Participants were drawn from both the face-to-face and online data collection methods to represent a mix of industries, occupations, age-groups and wage rates.

Research with culturally and linguistically diverse (CALD) and Indigenous employees

This research was structured as follows:

- n=1 mini-group discussion with employees from the Arabic community in Sydney
- n=1 mini-group discussion with employees from the Chinese community in Melbourne
- n=1 mini-group discussion with employees from the Vietnamese community in Melbourne
- n=2 paired in-depth interviews with indigenous employees in Sydney