



Fair Work
Commission

Award-reliant employees in the household income distribution of employees – an update

Presentation for the Australian Conference of Economists

The contents of this report remain the responsibility of the authors and the research has been conducted without the involvement of members of the Fair Work Commission.

Presented by

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Background, data and research method



Research context – The Annual Wage Review

The Commission's wage setting role

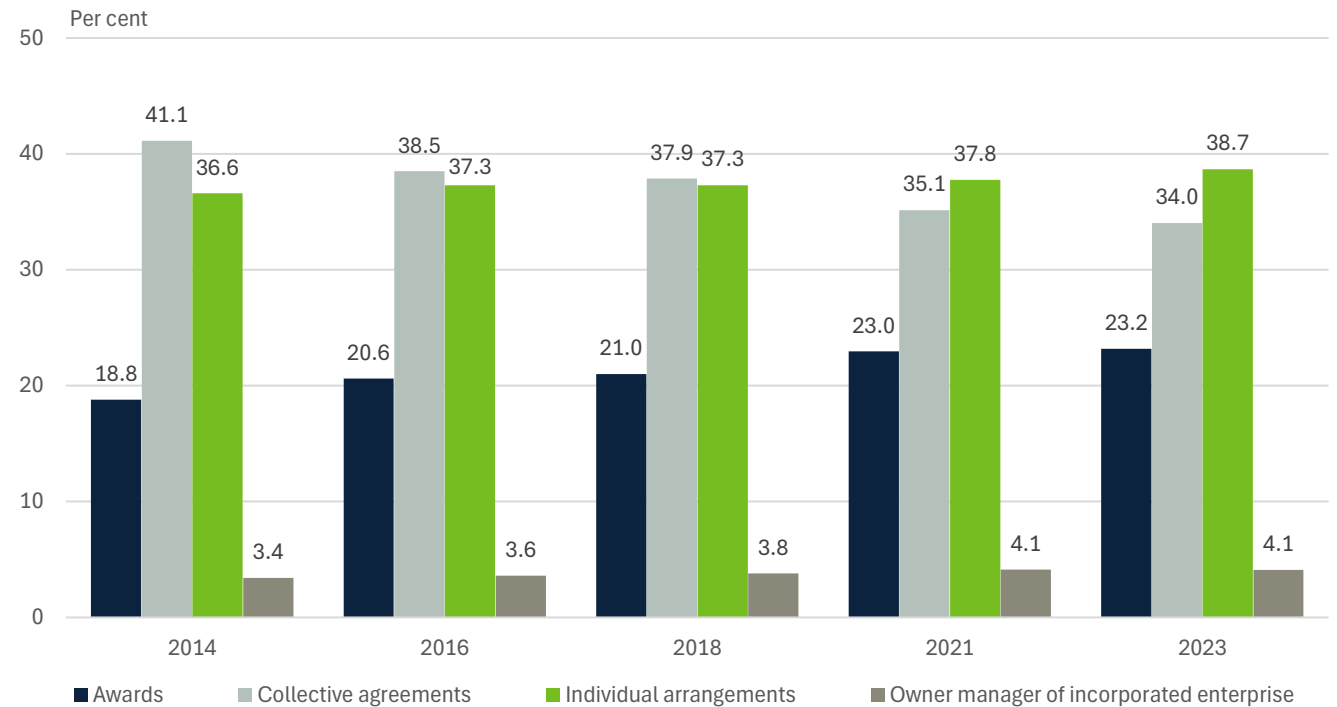
- Fair Work Commission sets the national minimum wage and wages specified in modern awards – effectively industry and occupation-specific minimum wages
- Must account for several considerations specified in the Fair Work Act

The Review

- Conducted by an expert panel – decision usually handed down in June
- Considers submissions from stakeholders
- Research program - set by the expert panel + endorsed by Minimum Wages Research group of stakeholders

Award-reliant employees

- 23% of all employees – share is increasing
- Disproportionately women
- Mostly part-time, about half casual
- Concentrated in a few industries
- Lower incomes



Research questions

- Where are award-reliant employees positioned in terms of household income, relative to *other employees*?
 - How does this differ for *low-paid* award-reliant employees?
- How do different employee characteristics vary across the household income distribution?

Motivation

Why household income? Why low-paid employees?

*'In determining this level of increase, a primary consideration has been the cost-of-living pressures that modern award-reliant employees, particularly those who are low paid and live in low-income households, continue to experience...'*¹

¹ [2024] FWCFB 3500 at [8]

Why compare to employees only?

*'There is little basis for comparing the household income of the low paid and the award reliant with that of households that are principally reliant on social welfare benefits or private savings, when the purpose is to identify whether an increase in the NMW and modern award minimum wages will assist the relative standard of living of the low paid.'*²

² [2018] FWCFB 3500 at [31]

Basic methodology

- Based on previous Commission research from 2017
- 2023 HILDA survey data
- Take the distribution of household income for all employees, then find where award-reliant employees (and separately low-paid ones) are situated
- Cut the award-reliant employee cohorts by different sets of characteristics using same distributions

Data

- Panel survey of individuals and households going back to 2001
- The only data source linking award-reliance to household income plus many individual characteristics
- But does not identify *modern* awards

Two challenges:

Over-reporting of award reliance for public sector employees

Household income is from the previous financial year

Our strategies:

Re-classify all public sector employees as not award-reliant

Alternative distributions only including people who were continuously employed



What's new in our paper?

- The low-paid award-reliant cohort
- Time series analysis
- Financial stress characteristics
- Alternative distribution to deal with lagged household income data
- Household income distributions are based on individual employees rather than *households* with employees

Employee samples

- 17.8% of employees are award-reliant
 - Drops to 13.5% of the adult employee sample
 - Lower than the respective EEH figure
- 43.5% of adult award-reliant employees are also low paid
 - Higher relative to 2018 results from other research (Wilkins and Wooden 2021)

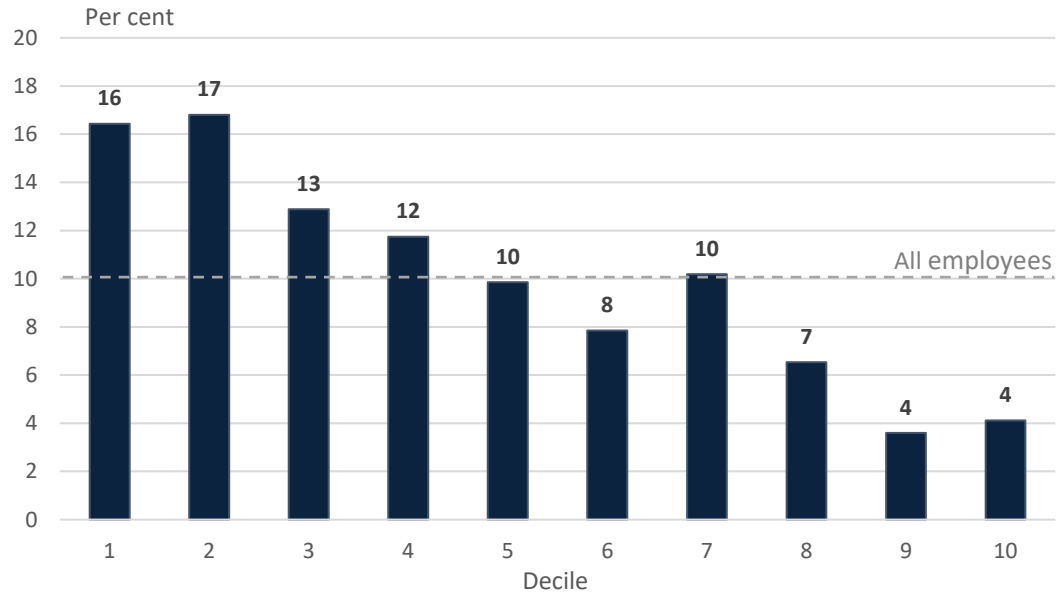
	Employees		Adult employees	
	No.	Per cent	No.	Per cent
Award reliance				
Award reliant	1519	17.8	1079	13.5
Not award reliant	7240	82.2	6902	86.5
	8759	100.0	7981	100.0
Low-paid award-reliant	-	-	463	5.9
Not low-paid award-reliant	-	-	7518	94.1
			7981	100.0

Results

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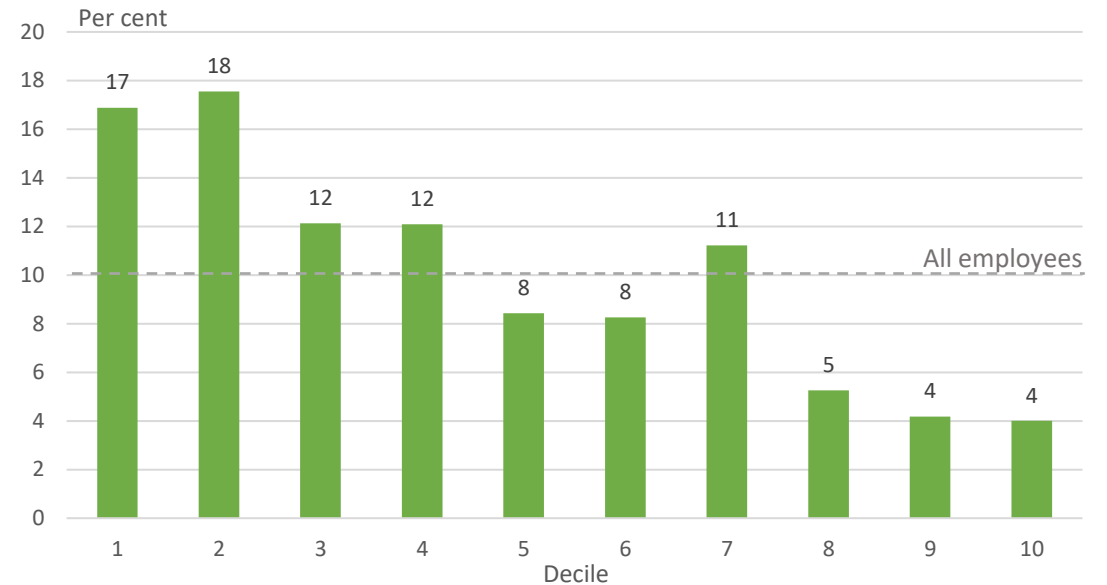
Distribution of award-reliant employees along the household income distribution of employees

Main sample



- **67.7 per cent** of award-reliant employees were in the **bottom half** of the distribution.

Only continuously employed*

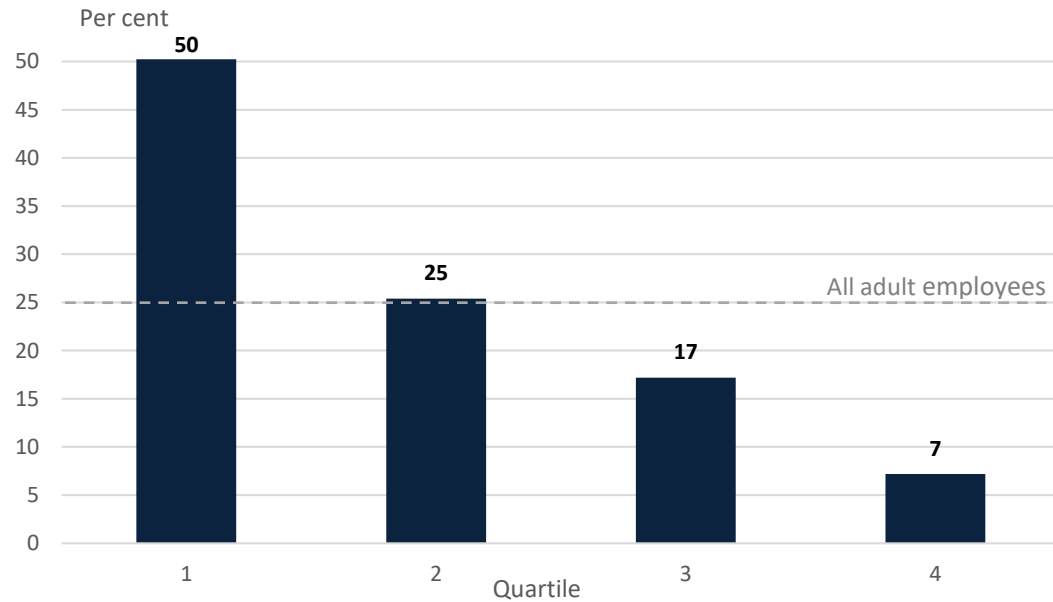


- **67.1 per cent** of award-reliant employees were in the **bottom half** of the distribution.

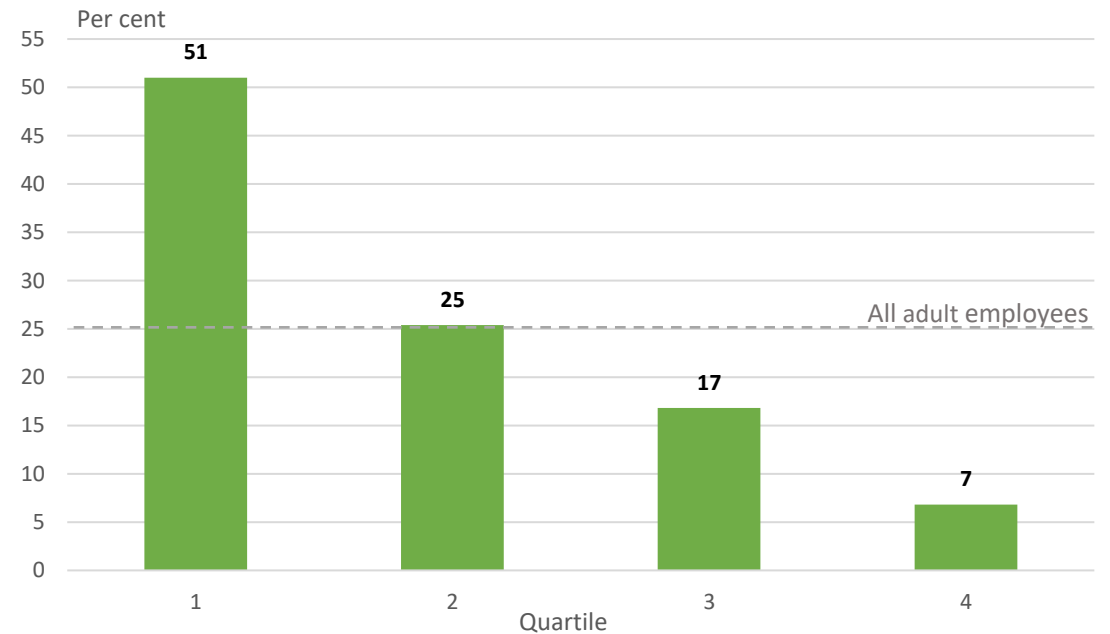
* This chart excludes employees who were not continuously employed for the entire previous financial year and were also not dependent students.

Distribution of low-paid award-reliant employees along the household income distribution of adult employees

Main sample

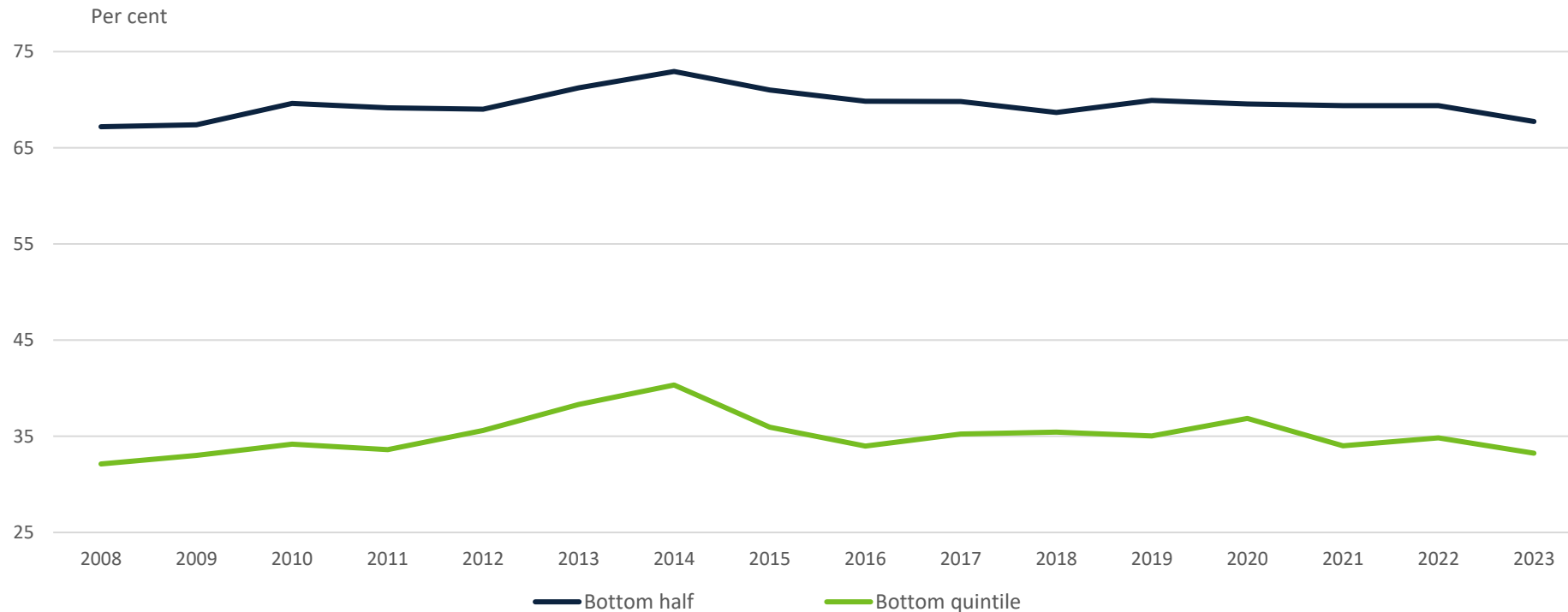


Only continuously employed*



- **75.6 per cent** of low-paid award-reliant employees were in the **bottom half** of the adult distribution.
- **76.4 per cent** of low-paid award-reliant employees were in the **bottom half** of the adult distribution.

Proportion of award-reliant employees in the bottom half and bottom quintile of the employee household income distribution



- The proportion of award-reliant employees in both the **bottom half** and **bottom quintile** peaked in **2014** at **73** and **40** per cent, respectively.
- Both have been **relatively stable since 2016**.

Characteristics examined

Individual

- Sex
- Age
- Location

Work

- Hours of work
- Preferred hours of work
- Industry
- Occupation

Household

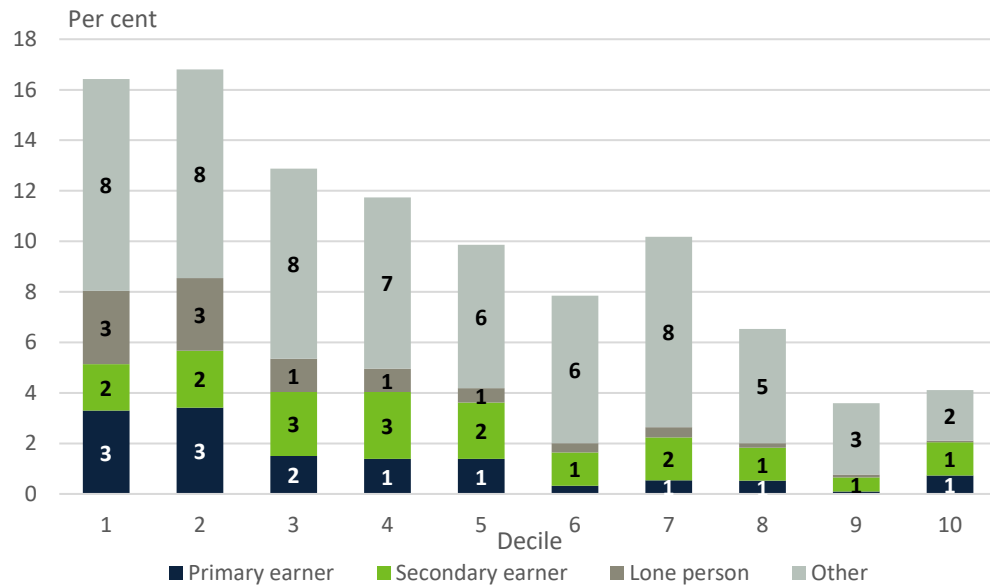
- Household earner status
- Dependent children
- Student status

Financial stress

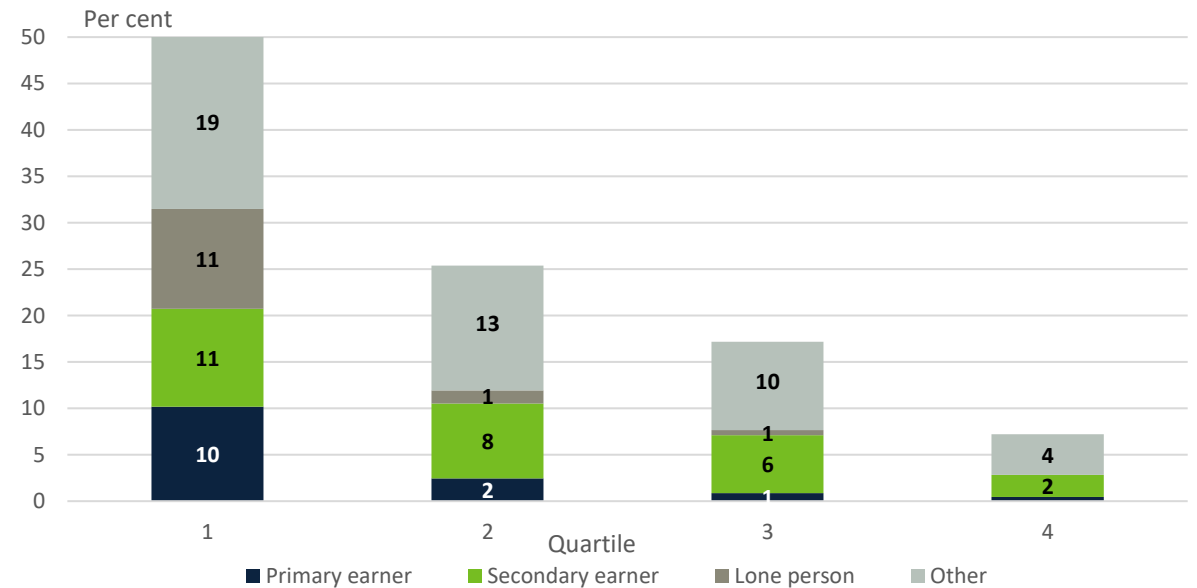
- Asked for financial help from friends or family
- Could not pay bills on time

Household earner status

Award-reliant employees



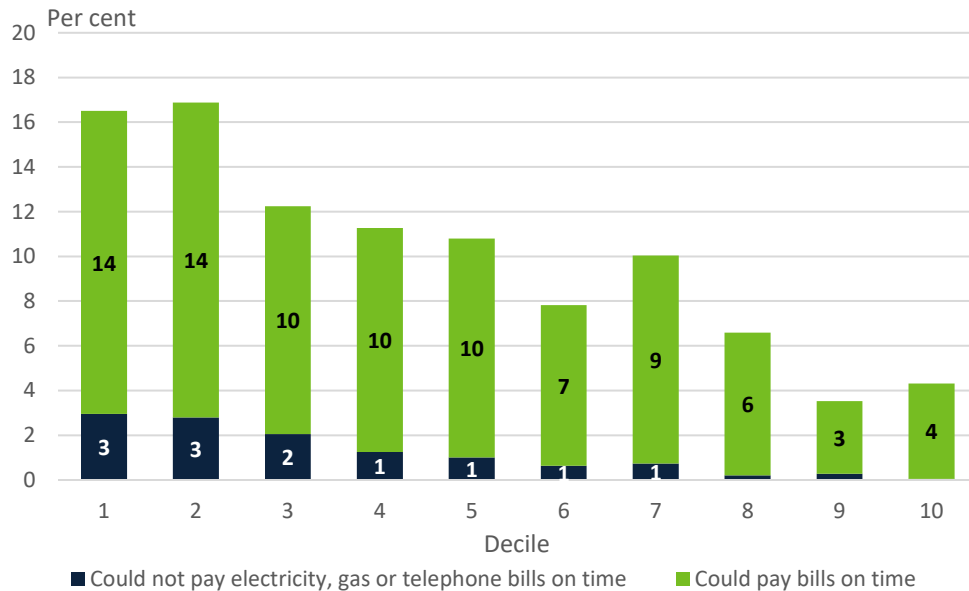
Low-paid award-reliant employees



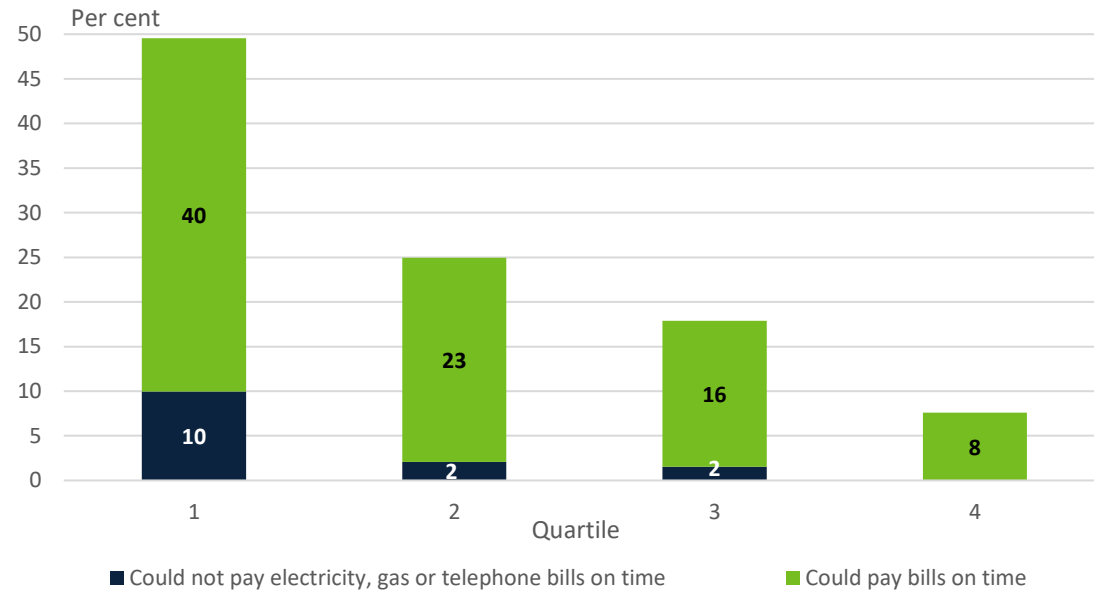
- About 16 per cent of award-reliant employees in the bottom half were primary earners compared to about 7 per cent in the top half.
- Similarly, 13 per cent of award-reliant employees in the bottom half were lone persons compared to 3 per cent of the top half.
- 73 per cent of low-paid award-reliant primary earners were located in the bottom quartile, while only 39 per cent of secondary earners were in the bottom quartile.

Ability to pay gas, electricity or phone bills on time

Award-reliant employees



Low-paid award-reliant employees



- **Employees who could not pay gas, electricity or phone bills on time** were more concentrated at the bottom of the distribution, accounting for **15 per cent** of award-reliant employees in the **bottom half** of the distribution compared with **12 per cent** for the **full cohort**.
- **73 per cent** of low-paid award-reliant employees who **could not pay gas, electricity or phone bills on time** were in the **bottom quartile**.

Overview of characteristics results for award-reliant employees

Relatively *more* concentrated at bottom of the distribution:

- Living in regional areas
- Labourers
- Either primary earners or lone persons
- Parents with dependent children
- Those unable to pay gas, electricity or phone bills on time

Relatively *less* concentrated at the bottom of the distribution:

- Women
- Employees aged 25 years and under
- Dependent students



Summing up

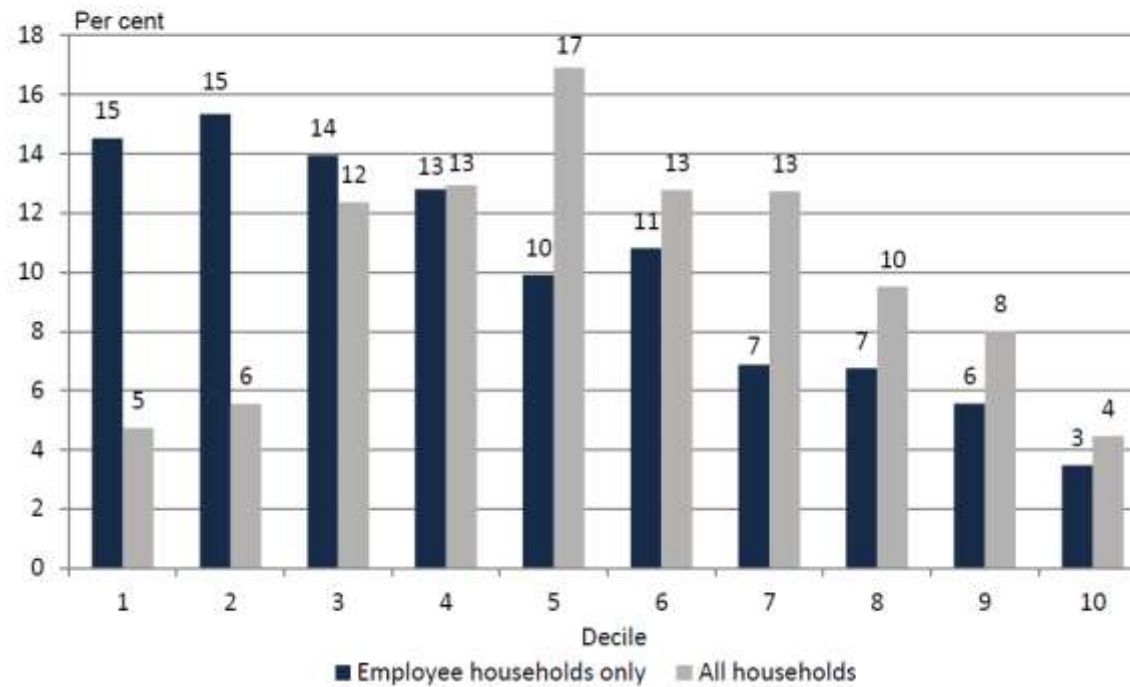
- Award-reliant employees were concentrated in the bottom half of the household income distribution of employees, with a little over 2 in 3 award-reliant employees located in the bottom five deciles in 2023.
- Low-paid award-reliant employees were even more concentrated in the bottom half of the household income distribution of adult employees at about 3 in 4.
- The proportion of award-reliant employees in lower income households peaked in 2014 and has been relatively stable since 2016.
- A number of different characteristics were concentrated at either the top or the bottom of the household income distribution of employees.

Questions

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Back in 2015...

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



Employee samples

