

FEATURE ARTICLE - Methods of Setting Pay in Western Australia

INTRODUCTION

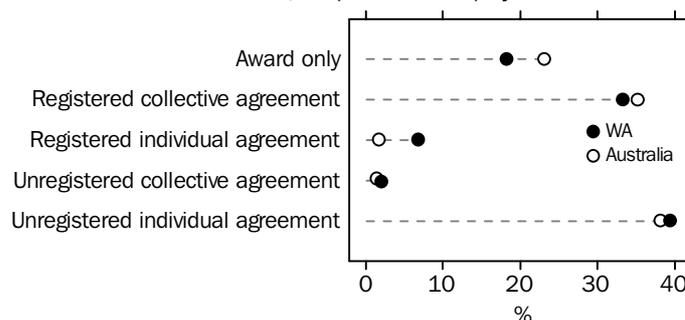
Pay and employment conditions were historically set in Australia by awards, sometimes supplemented by industrial agreements negotiated by trade unions and employers or employer organisations. In recent years, the method of wage determination has moved away from an award-based, centralised wage fixing system towards agreements at the enterprise, workplace and individual employee level. With this industrial relations transformation, individual and collective agreements have become an increasingly important means of setting pay and working conditions.

In response to an increasing demand for reliable and up-to-date information on employee coverage and wage outcomes by the various bargaining streams used in setting pay, the biennial May 2000 Survey of Employee Earnings and Hours (EEH) collected data on how an employee's pay can be set. This article investigates the degree to which Western Australian employers and employees have adopted the various methods of setting pay and examines the outcomes for employee earnings. A glossary of terms used in this article is included on page 29.

METHODS OF SETTING PAY FOR ALL EMPLOYEES

The two most common methods used to set pay for Western Australian employees were unregistered individual agreements (39.4%), and registered collective agreements (33.3%). Unregistered collective agreements were the least common pay setting method (2.1%).

METHODS OF SETTING PAY, Proportion of Employees



Unregistered individual agreements were more prevalent within the private sector and particularly among small businesses. They were associated with a wide range of employees, from working proprietors who set their own pay, to those employees earning above the award wage. The average weekly total earnings (including overtime earnings) of employees covered by these agreements was \$660.60.

Registered collective agreements were more prevalent among organisations with larger employee numbers, particularly within the public sector. The average weekly total earnings of employees in Western Australia under these agreements was \$677.60.

The most significant difference in pay setting arrangements between Western Australia and those at the national level were in respect of award only and registered individual agreements.

Almost 1 in 5 Western Australian employees (18.3%) had their pay set at award rates, the second lowest proportion of the States and Territories and notably lower than the Australian figure (23.2%). Awards were common for part-time employees and among Labourers and related workers. The average weekly total earnings for employees whose pay was set exactly at award rates in Western Australia was \$430.70.

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Western Australia had the highest proportion of employees covered by registered individual agreements (6.9%) reflecting the State Government's industrial relations policy at the time. The average weekly total earnings of employees in Western Australia under these agreements was \$634.70.

METHODS OF SETTING PAY, Average Weekly Total Earnings, By Sex(a)

	MALES	FEMALES	PERSONS
Method	\$	\$	\$
Award only	518.10	386.50	430.70
Registered collective agreements	827.90	558.30	677.60
Registered individual agreements	724.60	500.50	634.70
Unregistered collective agreements	782.80	422.00	629.10
Unregistered individual agreements	787.30	515.70	660.60
Total	759.30	498.50	621.70

(a) Caution should be exercised when examining differences between males and females, and consideration given to important work characteristics such as range of jobs worked, employee status (full-time, part-time or casual), and weekly hours worked (including overtime) which can have a large influence on the earnings outcomes.

Sector

The most common method of setting pay within the public sector was registered collective agreements (77.2%). The average weekly earnings for employees covered by registered individual agreements was higher (\$863.90) than for those covered by registered collective agreements (\$739.00). However, employees covered by registered individual agreements also had the highest proportion of managerial staff.

METHODS OF SETTING PAY, Proportion of employees, By Sector

	PRIVATE	PUBLIC	ALL
Method	%	%	%
Award only	19.8	*13.6	18.3
Registered collective agreements	19.3	77.2	33.3
Registered individual agreements	7.4	*5.4	6.9
Unregistered collective agreements	*2.4	*0.9	*2.1
Unregistered individual agreements	51.1	*2.9	39.4
Total	100.0	100.0	100.0

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PAYSETTING ARRANGEMENTS FOR ALL EMPLOYEES

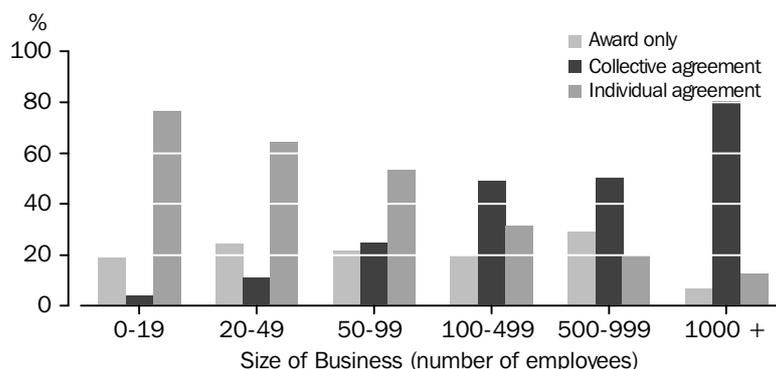
Sector *continued*

The most common pay setting method within the private sector was unregistered individual agreements (51.1%). Employees under these agreements had the highest average weekly total earnings across the five pay setting methods (\$661.10). This may be partly attributable to the high occurrence of these agreements among the skilled occupational categories where the largest influences on an individual's rate of pay are market forces (supply and demand for a position) and individual performance (where the employee's previous work experience is taken into account).

Size of Business

Collective agreements were more prevalent among businesses with larger numbers of employees whereas there were higher proportions of individual agreements among smaller businesses.

METHODS OF SETTING PAY, Size of Business



Of all employees who had their pay set by individual agreements, those working for the largest businesses (1,000 or more employees) had the highest average weekly total earnings (\$1,005.70). Employees working for small business (less than 20 employees) and paid exactly at the award rate received the lowest average weekly total earnings (\$298.40). This figure is affected by the higher proportion of juniors and part-time based employees working in small business.

Employment Status

For full-time adult employees, individual agreements were used to set pays in just over half (51.9%) of all cases, with full-time adult managerial staff far more likely to have an individual agreement than full-time adult non-managerial staff (82.3% compared with 46.0%). Although the proportion of full-time adult managerial employees working under collective agreements was relatively small (14.5%), these employees had the highest average weekly total earnings (\$1,259.10).

For part-time employees, there was a more even distribution between the three pay setting methods, with collective and individual agreements each applying to just over a third of all employees (35.9% and 35.4%, respectively). The coverage of part-time employees under award only (28.8%) was more than double that for full-time employees (13.0%). Part-time employees in Western Australia were more likely to have their pay set by individual agreements than employees Australia-wide (35.4% and 25.5% respectively).

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METHODS OF SETTING PAY, By Employment Status

Method	FULL-TIME.....			PART-TIME	ALL EMPLOYEES
	Adult.....			Total	Total
	Managerial	Non-managerial	Total	Total	Total
PROPORTION OF EMPLOYEES (%)					
Award only	*3.2	13.1	13.0	28.8	18.3
Collective agreements	14.5	41.0	35.1	35.9	35.3
Individual agreements	82.3	46.0	51.9	35.4	46.4
AVERAGE WEEKLY TOTAL EARNINGS (\$)					
Award only	584.70	715.20	642.40	241.40	430.70
Collective agreements	1 259.10	833.70	856.10	324.10	674.80
Individual agreements	934.10	760.50	790.10	269.60	656.70

For part-time employees, those on collective agreements averaged the highest ordinary (excluding overtime) hourly rates at \$19.00, followed by awards (\$17.10 per hour) and individual agreements (\$16.90 per hour).

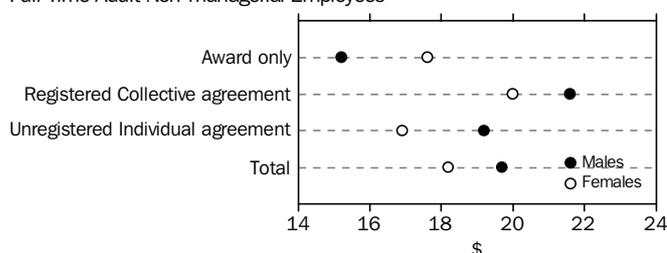
METHODS OF SETTING PAY FOR FULL-TIME ADULT NON-MANAGERIAL EMPLOYEES

Full-time adult non-managerial employees comprised 52.8% of the EEH survey population. This group of employees is relatively homogenous in composition as the category excludes part-time, junior and managerial employees. This section provides information on hourly earnings, industry and occupation characteristics for this group.

Hourly Earnings

The average total hourly earnings (including overtime) in Western Australia ranged from \$17.20 for award only employees to \$21.20 for employees who had their pay set by registered collective agreements. Average ordinary time hourly earnings (excluding overtime) for full-time adult non-managerial employees tended to be lower in Western Australia compared with Australian figures regardless of the pay setting methods being utilised. The exception was for employees covered under awards, where the Western Australian average was \$1.00 per hour higher.

METHODS OF SETTING PAY - AVERAGE ORDINARY TIME HOURLY EARNINGS,
Full-Time Adult Non-managerial Employees



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METHODS OF SETTING PAY FOR FULL-TIME ADULT NON-MANAGERIAL EMPLOYEES

Hourly Earnings *continued*

For Western Australian full-time adult non-managerial employees covered by an award only, females earned an average \$75.90 a week less than males. However, when taking into account variations in the paid hours worked between females and males, the female hourly rate was \$1.10 higher than the male hourly rate. When overtime earnings and hours are excluded, the difference in average hourly earnings widened, with females earning \$2.40 per hour more than males.

Male employees whose pay was set using registered collective agreements earned, on average, \$1.80 per hour more than females at the State level; and \$2.10 per hour more at the Australian level.

Western Australian males on unregistered individual agreements earned, on average, \$2.60 per hour more than Western Australian females. The difference was less pronounced in the Australian figures, with males earning \$1.70 per hour more than females.

Industry

For full-time adult non-managerial employees, the award only pay setting method was most common in the Health and community services industry (46.5%), and in the Accommodation, cafes and restaurants industry (27.5%).

Collective agreements were more prevalent in the public sector-dominated industries of Electricity, gas and water supply (92.0%), Government administration and defence (90.9%), Communication services (86.3%) and Education (82.0%). Individual agreements were most common in the Property and business services (83.0%), Cultural and recreational services (78.5%) and Wholesale trade (75.9%) industries.

METHODS OF SETTING PAY, Average Weekly Total Earnings for Full-time Adult Non-managerial Employees, by Industry

	<i>Award only</i>	<i>Collective agreements</i>	<i>Individual agreements</i>	<i>Total</i>
	\$	\$	\$	\$
Mining	1 557.80	1 493.60	1 241.10	1 322.60
Manufacturing	663.60	832.70	742.60	762.10
Electricity, gas and water supply	n.a.	950.60	1 119.60	964.10
Construction	975.00	1 025.20	816.50	923.80
Wholesale trade	696.50	656.60	686.10	680.80
Retail trade	538.60	592.80	652.00	627.30
Accommodation, cafes and restaurants	495.70	591.30	534.00	525.20
Transport and storage	996.60	952.00	702.50	828.20
Communication services	n.a.	933.80	709.40	903.10
Finance and insurance	640.70	785.50	751.50	772.40
Property and business services	583.10	786.70	822.20	796.30
Government administration and defence	611.40	754.00	843.80	756.50
Education	791.00	876.10	813.50	862.40
Health and community services	688.40	710.90	721.60	701.90
Cultural and recreational services	777.40	850.90	646.00	683.20
Personal and other services	479.00	857.80	481.00	756.20
Total	715.20	833.70	760.50	784.60

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Industries reporting the lowest average weekly total earnings for each pay setting method were:

- Personal and other service industries, both for award only (\$479.00) and individual agreements (\$481.00); and
- Accommodation, cafes and restaurants for collective agreements (\$591.30).

Employees in the Mining industry reported the highest average weekly total earnings across all pay setting methods.

Occupation

Across all the pay setting methods, Elementary and Intermediate level clerical, sales and service workers employed under awards reported the lowest average weekly total earnings in Western Australia (\$526.60 and \$543.70 respectively). The highest average weekly total earnings were reported by Managers and administrators under both collective and individual agreements (\$1,188.60 and \$1,306.20 respectively).

METHODS OF SETTING PAY, Average Weekly Total Earnings for Full-time Adult Non-managerial Employees, By Occupation

	<i>Award only</i>	<i>Collective agreements</i>	<i>Individual agreements</i>	<i>Total</i>
	\$	\$	\$	\$
Managers and administrators	n.a.	1 188.60	1 306.20	1 283.60
Professionals	850.40	914.80	961.80	919.50
Associate professionals	556.60	882.20	845.20	850.90
Tradespersons and related workers	719.20	978.30	790.70	831.90
Advanced clerical and service workers	646.70	721.70	668.30	688.80
Intermediate clerical, sales and service workers	543.70	698.00	632.50	645.80
Intermediate production and transport workers	892.10	884.80	785.10	845.60
Elementary clerical, sales and service workers	526.60	597.90	595.60	586.60
Labourers and related workers	684.50	687.50	632.50	665.10
Total	715.20	833.70	760.50	784.60

Females working as Professionals on awards (for example teachers and nurses), reported higher average weekly total earnings than males (approximately \$50 a week higher). Average weekly total earnings for Professional males under collective agreements was over \$220 per week higher than average weekly total earnings for Professional females. For Intermediate clerical, sales and service workers, females earned an average \$18.40 more per week than males under the award only pay setting method. Across all other occupations and pay setting arrangements, average weekly total earnings for males was higher than females.

FEATURE ARTICLE - Methods of Setting Pay in Western Australia *continued*

METHODS OF SETTING PAY FOR FULL-TIME ADULT NON-MANAGERIAL EMPLOYEES

Occupation *continued*

Compared with Australian figures:

- lower average weekly total earnings were reported in Western Australia for Advanced, Intermediate and Elementary categories of clerical, sales and service workers whose pay was set by either collective or individual agreements (ranging between \$10.00 and \$98.10 less than the respective Australian average weekly total earnings). Significantly lower average weekly total earnings were also recorded by Associate professionals whose pay was set at the award rate, earning on average \$153.20 less than the Australian average; and
- higher average weekly total earnings were reported in Western Australia for the following occupations: Managers and administrators on individual agreements and collective agreements (\$205.50 and \$86.00 respectively higher than the Australian average); Intermediate production and transport workers on award only (\$200.60 higher) and individual agreements (\$100.50 higher); Tradespersons and related workers on award only (by \$142.50); and Labourers and related workers on award only (by \$140.40).

The majority of Professionals and Intermediate production and transport workers (51.4% and 48.2% respectively) had their pay set by collective agreements. All other occupation groups had their pay set mainly by individual agreements, the largest proportion being in Managers and administrators (80.8%) and Tradespersons and related workers (60.9%).

METHODS OF SETTING PAY, Proportion of Full-time Adult Non-managerial Employees, By Occupation

	Award only	Collective agreements	Individual agreements	Total
	%	%	%	%
Managers and administrators	n.a.	*19.2	80.8	100.0
Professionals	*16.2	51.4	32.3	100.0
Associate professionals	*4.1	47.2	48.7	100.0
Tradespersons and related workers	*12.4	26.7	60.9	100.0
Advanced clerical and service workers	*10.1	42.5	47.4	100.0
Intermediate clerical, sales and service workers	12.3	37.1	50.6	100.0
Intermediate production and transport workers	*11.7	48.2	40.2	100.0
Elementary clerical, sales and service workers	*14.1	31.1	54.8	100.0
Labourers and related workers	22.0	38.3	39.6	100.0
Total	13.1	41.0	46.0	100.0

ADDITIONAL INFORMATION

For further information regarding the data contained in this article, please contact Mike Mahoney on Perth (08) 9360 5305.

REFERENCES

Employee Earnings and Hours, Australia (Cat. no. 6306.0)

Labour Force, Australia (Cat. no. 6203.0)

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GLOSSARY

Awards	Awards are legally enforceable determinations made by Federal or State industrial tribunals that set the terms of employment usually in a particular industry or occupation.
Collective agreements	Collective agreements (registered or unregistered) set the terms of employment for a group of employees. They result from bargaining between an employer (or group of employers) and a group of employees (or one or more unions or employee associations representing the employees).
Employees whose pay is set by award only	Refers to employees who are covered by awards and who were not paid more than the award rate of pay.
Employees whose pay is set by collective agreements	Refers to employees who had all or any part of their wages or salaries paid by registered or unregistered collective agreements and enterprise awards. This group also includes employees who had their pay set by both collective agreements and awards.
Employees whose pay is set by individual agreements	Refers to employees who had all or any part of their wages or salaries paid by individual agreements. This group mainly consists of employees whose pay is set by an individual common law contract, employees receiving overaward payments by individual agreement, and working proprietors who set their own rate of pay. This group also includes employees who had their pay set by individual agreements in conjunction with other pay setting mechanisms (awards and/or collective agreements).
Full-time employees	Full-time employees are permanent, temporary and casual employees who normally work the agreed or award hours for a full-time employee in their occupation and who received pay for any part of the reference period. If agreed or award hours do not apply, employees are regarded as full-time if they ordinarily work 35 hours or more per week. Casual employees whose hours vary each week are classified as full-time if the hours worked in the reference week are 35 hours or more.
Individual agreements / Contracts	Individual agreements (registered or unregistered) or individual contracts set the terms of employment for an individual employee and are agreed to by the individual rather than on behalf of the individual.
Managerial employees	Managerial employees are defined as those employees who are in charge of a significant number of employees or have significant responsibilities in the conduct or operations of the organisation and usually do not receive payment for overtime. Includes professionally qualified staff who primarily perform managerial tasks in conjunction with utilising their professional skills. Working proprietors and working directors of own incorporated businesses have been included as managerial employees.
Non-managerial employees	Non-managerial employees are those who are not managerial employees as defined above and includes supervisors and non-managerial professionals.
Ordinary time earnings	Ordinary time earnings of employees refers to one week's earnings for the reference period attributable to award, standard or agreed hours of work. It is calculated before taxation and any other deductions have been made. Included in ordinary time earnings are agreed base rates of pay; penalty payments; shift and other taxable allowances; commissions and retainers; bonuses related to the reference period; payments under incentive or piecework; payments for leave taken during the reference period; all workers' compensation payments made through the payroll; and salary payments made to directors. Excluded are non-cash components of salary packages, overtime payments, retrospective pay, pay in advance, leave loadings, severance pay, and termination and redundancy payments.
Registered agreements	Registered agreements are written individual or collective agreements that have been certified, approved or registered with a Federal or State industrial tribunal or authority.

FEATURE ARTICLE - Methods of Setting Pay in Western Australia *continued*

GLOSSARY *continued*

Unregistered agreements

Unregistered agreements are those (written or verbal) collective or individual agreements that have not been certified, approved or registered with either a Federal or State industrial tribunal or authority.

Weekly total earnings

Weekly total earnings of employees is equal to weekly ordinary time earnings plus weekly overtime earnings.