



Research Report 1/2015

Award reliance and business size: a data profile using the Australian Workplace Relations Study

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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 Fair Work Commission.

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- Australian Chamber of Commerce and Industry (ACCI);
- Australian Industry Group (Ai Group);
- Australian Council of Social Service (ACOSS);
- Australian Council of Trade Unions (ACTU);
- the Australian Government; and
- state and territory governments.

This report is the work of Kelvin Yuen, David Rozenbes and Samantha Farmakis-Gamboni of the Workplace and Economic Research Section of the Fair Work Commission.

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The contents of this report, however, remain the responsibility of the authors.

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List of abbreviations

ABS	Australian Bureau of Statistics
ANZSIC	Australian and New Zealand Standard Industrial Classification
AWRS	Australian Workplace Relations Study
Fair Work Act	<i>Fair Work Act 2009</i> (Cth)
Panel	Expert Panel for annual wage reviews

Executive Summary

This report provides a data profile of Australian businesses using the Australian Workplace Relations Study (AWRS) and the Award Reliance Survey. It presents information on the characteristics and performance of businesses by business size and degree of award reliance and as such provides further understanding of the way businesses operate in Australia. This has been enhanced by the greater range and quantity of workplace relations (including degrees of award reliance) and business performance data collected from both enterprise level surveys as well as the linked nature of the AWRS survey, which has enabled data to be collected from employees working in the enterprises surveyed.

Data sources

This report uses data from two surveys commissioned by the Fair Work Commission. The AWRS is a linked employer-employee survey commissioned to inform workplace relations research at the enterprise level and, in particular, to allow for research that cannot be undertaken using separate employer and employee datasets. The study attempted to be representative of all non-farm Australian enterprises with five or more employees. Data were collected between February and July 2014 across the national workplace relations system on the characteristics and performance of both employers and their employees at the enterprise level.

The Award Reliance Survey was undertaken in 2013 to quantitatively investigate award reliance across and within Australian workplaces, and to identify the 'categories' of award-reliant employees and their location on award classification scales. The research also examined wage-setting practices of employers and reasons why employees were paid award rates.

Characteristics of businesses

The analysis of business characteristics found that there was some variation in business composition between award-reliant businesses and non award-reliant businesses and between small and larger businesses. Award-reliant businesses were relatively more likely to be a not-for-profit institution, operate in regional/rural areas and be in the Retail trade and Accommodation and food services industries, and to operate on weekends than non award-reliant businesses.

In other areas, such as work practices and workforce changes, the greatest similarity was found for businesses with no award-reliant employees and businesses with up to half of their employees award reliant, rather than other business types or business size.

The most common flexible work practice across all business sizes and degrees of award reliance was flexible start and finish times. An increase or decrease in demand for products/services was the main reason for an increase or decrease in jobs.

The reasons for pay-setting arrangements were relatively similar across business sizes but differed by degree of award reliance. Businesses with more than half of their employees award reliant were more likely to report that they used awards because of affordability and that they did not want to pay more. For businesses with up to half of their employees award reliant, it was that awards were appropriate/fair remuneration.

Indicators of performance

Analysis of business performance indicators found that small businesses with more than half of their employees award reliant were relatively more likely to be domestic only and operate in the immediate local area compared with other business types. Larger award-reliant businesses were more likely to have more direct competitors than small award-reliant businesses.

The analysis of business attributes and innovation did not find an association by degree of award reliance or business size. However, potential responses to a substantial increase in labour costs differed by business size. The most common short-term responses reported among all business types were 'increase revenue', 'implement strategies to manage or reduce wage bill' and 'increase efficiency of work techniques and processes'. In the long-term, the most common responses reported by both small and larger businesses were to adjust the pricing model, increase profitability/efficiencies and reduce workforce/hours.

Based on the subjective productivity measures from the AWRS, all business types were more likely to report that the productivity of their workforce had remained the same compared with the previous financial year. However, the data showed some variation by the degree of award reliance. An increase in productivity was more commonly reported among small and larger businesses with no award-reliant employees, as well as businesses with up to half of their employees award reliant, while small and larger businesses with more than half of their employees award reliant were more likely to report no change.

The analysis of costs found that the ratio of income to wages was higher for small businesses compared with larger businesses, while wages as a proportion of total expenses was higher among larger businesses. Relative to larger businesses, a higher proportion of small businesses had higher profitability and lower expenditure on wages and salaries in the last financial year compared with the previous financial year.

Characteristics of employees

The linked nature of the AWRS is utilised to analyse the characteristics of employees within the business categories. For both small and larger businesses, businesses with more than half of their employees award reliant were more likely to report higher proportions of females, part-time and casual workers, relative to their counterparts with no, or up to half, of employees award reliant. In addition, among these businesses, employees were more likely to be female and part time.

Conversely, across small and larger businesses, businesses with no award-reliant employees and businesses with up to half of their employees award reliant reported that the majority of the workforce was male, full time and permanent. In addition, these businesses had similar proportions of females, part-time and casual workers.

Relating to the differences between small and larger businesses, small businesses had higher proportions of females and similar proportions of part-time and casual employees across the categories of award reliance.

The paper also analysed data from the AWRS Employee survey, which surveyed a sample of employees from the businesses in scope. It finds that compared with employees in businesses with no award-reliant employees, employees working in award-reliant businesses were more likely to have experienced unemployment, have more than one paid job and prefer to work more hours. However, they were less likely to have tertiary education, to have worked for five years and over for their current employer and to have worked for 10 years and over in paid employment.

Similarly, compared with employees in larger businesses, employees working in small businesses were more likely to have experienced unemployment in the past five years, have more than one paid job and prefer to work more hours. It follows that they were less likely to have worked for five years and over for their current employer.

1 Introduction

The Expert Panel for annual wage reviews (Panel) is required to establish and maintain a safety net of fair minimum wages in accordance with the minimum wages objective, as outlined in s.284 of the *Fair Work Act 2009* (Fair Work Act).

This report addresses s.284(1)(a) of the Fair Work Act which states that:

“FWC must establish and maintain a safety net of fair minimum wages, taking into account:

(a) the performance and competitiveness of the national economy, including productivity, business competitiveness and viability, inflation and employment growth”.¹

In the Annual Wage Review 2013–14 decision, the Panel noted that research using data obtained from the Australian Workplace Relations Study (AWRS) would be undertaken by Fair Work Commission staff and scoped with the Minimum Wages Research Group for the Annual Wage Review 2014–15:

“... research to inform the Annual Wage Review 2014–15 would be undertaken using data obtained from the Australian Workplace Relations Study.

... The Australian Workplace Relations Study research for the 2014–15 Review will be further scoped as part of the usual practice of consultation by [Fair Work] Commission staff with the Minimum Wages Research Group after the completion of this Review.”²

As a result, this report provides a data profile on Australian businesses using the Australian Workplace Relations Study (AWRS) and the Award Reliance Survey. It presents information on the characteristics and performance of businesses by business size and degree of award reliance and provides further understanding of the way businesses operate in Australia.

Little research has been conducted on the businesses that employ award-reliant workers. Previous research has compared award-reliant businesses with non award-reliant businesses,³ or businesses with a combination of award-reliant and non award-reliant workers.⁴ However, the AWRS collected information on the exact number of employees within an enterprise that are award reliant. This enables research to be undertaken that compares businesses with a higher degree of award reliance with businesses with a lower degree of award reliance, as well as non award-reliant businesses.

The Panel is also required to consider differences in businesses by size as given by section 3(g) of the Fair Work Act which states that an object of the Act is to acknowledge “the special circumstances of small and medium-sized businesses”.⁵ Further, submissions to the Annual Wage Review 2013–14 “urged [the Panel] to have particular regard to the circumstances of small

¹ Fair Work Act, s.284(1)(a).

² [2014] FWCFB 3500 at paras 623–624.

³ Wright S and Buchanan J (2013), *Award reliance*, Research Report 6/2013, Fair Work Commission. The definition of an award-reliant business is a business with at least one award-reliant worker.

⁴ Farmakis-Gamboni S, Rozenbes D and Yuen K (2012), *Award-reliant small businesses*, Research Report 1/2012, Fair Work Australia.

⁵ Fair Work Act, s.3(g).

businesses”,⁶ while the Panel noted that “consideration of the circumstances of small business is necessary given their significance to the Australian economy and the relatively high award reliance in small businesses compared to businesses generally”.⁷ Further discussion was provided in the Annual Wage Review 2012–13.⁸

The report does not attempt to find causal relationships between award reliance and business size; instead, it focuses on potential associations. It provides a data profile on Australian businesses, by incorporating new data from two enterprise-level surveys. A previous report mainly using data from the Australian Bureau of Statistics (ABS) examined the characteristics and performance of small businesses that employ award-reliant employees and the differences between these businesses and those that do not employ award-reliant employees and found a lack of data from the perspective of employers.⁹

The majority of this report provides analysis from the AWRS, a linked employer-employee survey undertaken to inform workplace relations research at the enterprise level and, in particular, to allow for research that cannot be undertaken using separate employer and employee datasets. The study was designed to be representative of all non-farm Australian enterprises with five or more employees. Data were collected between February and July 2014 across the national workplace relations system¹⁰ on the characteristics and performance of both employers and their employees at the enterprise level.

The AWRS is complemented by the Award Reliance Survey, which was commissioned to quantitatively investigate award reliance across and within Australian enterprises, and to identify the mix or ‘categories’ of award-reliant employees and their location on award classification scales (Wright and Buchanan 2013).¹¹ The research also examined wage-setting practices of employers and reasons why employees were paid award rates.

To ensure consistency and comparability with previous research, this paper defines an award-reliant employee as an employee that is paid exactly the award rate of pay.¹² An award-reliant business was defined as an organisation that employed at least one award-reliant employee.¹³

⁶ [2014] FWCFB 3500 at para. 223.

⁷ [2014] FWCFB 3500 at para. 223.

⁸ [2013] FWCFB 4000 at paras 260–263.

⁹ Farmakis-Gamboni S, Rozenbes D and Yuen K (2012), *Award-reliant small businesses*, Research Report 1/2012, Fair Work Australia.

¹⁰ From 1 January 2010, state referrals of workplace relations powers from New South Wales, Queensland, South Australia and Tasmania to the Commonwealth created a national workplace relations system which includes all private sector employment, other than employment by non-constitutional corporations in Western Australia. All employment in Victoria, the Northern Territory and the Australian Capital Territory was already under the national workplace relations system. Employers and employees, other than in Western Australia, that were previously covered by state workplace relations systems because the employer is not a constitutional corporation are covered by the national workplace relations system established by the Fair Work Act. As part of the changes, some public sector and local government employment previously under the national system is now covered by the state systems.

¹¹ Wright S and Buchanan J (2013), *Award reliance*, Research Report 6/2013, Fair Work Commission.

¹² Such as Maltman K and Dunn A (2012), *Higher classification / professional employee award reliance qualitative research: Interim report*, Research Report 4/2012, Fair Work Australia; Farmakis-Gamboni S, Rozenbes D and Yuen K (2012), *Award-reliant small businesses*, Research Report 1/2012, Fair Work Australia; and Wright S and Buchanan J (2013), *Award reliance*, Research Report 6/2013, Fair Work Commission.

¹³ Wright S and Buchanan J (2013), *Award reliance*, Research Report 6/2013, Fair Work Commission.

In the AWRS, an enterprise is defined as the head office and all worksites within Australia.¹⁴ Given that award reliance is prevalent in all types of organisations, this report used all the available data in the AWRS and as such, did not limit analysis to private sector businesses only. Throughout the paper, the terms 'business' and 'enterprise' are used interchangeably.

There are various definitions of 'small business'. Section 23 of the Fair Work Act defines a small business (national system employer) as an employer who employs fewer than 15 employees.¹⁵ The ABS defines a small business as a business that employs fewer than 20 persons and, in some instances, this definition may include non-employing businesses.

For the purpose of statistical analysis, this report defines small businesses as those that employ fewer than 20 employees.¹⁶ The report also defines businesses with 20 employees and over as 'larger businesses'.¹⁷

Certain factors analysed suggest some association between business size or degree of award reliance. However, overall, no strong patterns were observed between businesses by degree of award reliance and/or size.

This report is presented as follows. Chapter 2 presents a discussion of the two data sources used for analysis in the report. Chapter 3 presents an analysis of the characteristics of businesses and Chapter 4 presents an analysis of business performance. Chapter 5 explores the characteristics of employees. Chapter 6 provides a discussion of the findings and conclusion.

¹⁴ For most enterprises within the scope of the AWRS, the enterprise was defined as the legal entity and it had one Australian Business Number (ABN). Large enterprises with diverse operations and/or multiple business units within the legal entity were treated differently in the AWRS and in some cases a discrete company or business unit was selected to be surveyed rather than the legal business entity. Further information about the AWRS is available on the Fair Work Commission [website](#).

¹⁵ Fair Work Act, s.23.

¹⁶ Australian Bureau of Statistics, *Australian Industry, 2009–10*, Catalogue No. 8155.0, 2011; Farmakis-Gammoni S and Yuen K (2011), *An overview of productivity, business competitiveness and viability*, Fair Work Australia, Research Report 1/2011.

¹⁷ This category was determined based on the sample sizes of each group which was not large enough to separate into medium and large businesses.

2 Data sources

This chapter provides an overview of the design, definitions and limitations of the AWRS and the Award Reliance Survey. Both surveys were commissioned to inform research into the interaction between employers and employees and to investigate award reliance at the firm level. The analysis based on the Award Reliance Survey is designed to complement the AWRS analysis by examining wage-setting practices of employers and reasons why employees were paid award rates.

Both surveys also contain some qualitative measures to evaluate business characteristics and performance and this should be taken into account when interpreting the data.

2.1 Business groups

Throughout this paper, businesses are classified by their degree of award reliance. The three categories are businesses with:

- no award-reliant employees;
- up to half of their employees award reliant; and
- more than half of their employees award reliant.

Businesses with award-reliant employees are referred to as award-reliant businesses.

Businesses are further categorised by their size:

- small businesses – 5–19 employees; and
- larger businesses – 20+ employees.

Further disaggregation was tested for both degree of award reliance and business size; however, the types of business groups were finalised based on the total sample sizes across each group.

The business sizes from the Award Reliance Survey differ from the AWRS in that small businesses include those with fewer than five employees, and larger businesses have been split into medium (20–99 employees) and larger (100+ employees) businesses. The larger sample size in this survey enables this disaggregation.

All data presented from both surveys have been weighted. Relative standard errors for the data have been calculated and data have not been presented where the relative standard error is greater than 50 per cent due to the low reliability of the estimate.¹⁸ These data are indicated by 'np'. Further, the columns in the tables presented in this report sum to 100 unless the survey questions allowed for multiple responses.

2.2 Australian Workplace Relations Study

The AWRS is the first Australia-wide statistical dataset linking employer data with employee data since the 1995 Australian Workplace Industrial Relations Survey. The AWRS surveyed both

¹⁸ The Standard Error measure indicates the extent to which a survey estimate is likely to deviate from the true population and is expressed as a number. The Relative Standard Error is the standard error expressed as a fraction of the estimate and is usually displayed as a percentage. For more information, see ABS (2010), *What is a Standard Error and Relative Standard Error, Reliability of estimates for Labour Force data*, <http://www.abs.gov.au/websitedbs/d3310114.nsf/Home/What+is+a+Standard+Error+and+Relative+Standard+Error,+Reliability+of+estimates+for+Labour+Force+data>.

employers and their employees to collect information about a range of workplace relations and employment matters. The ability to link these data greatly enhances the extent of analysis that can be performed compared with datasets which only contain information from either employers or households.

The AWRS comprised five separate survey questionnaires for employers and a survey for employees. This information was focused at the enterprise level and collected a large amount of new information that other surveys (i.e. ABS surveys) do not collect, including the greater amount of workplace relations (including degrees of award reliance) and business performance data. Data were collected between February and July 2014. A total of 3057 enterprises participated in the AWRS. Of these 3057 enterprises, 1509 (49 per cent) completed all of the employer surveys.¹⁹ The employee survey was completed by 7883 employees.

The AWRS was designed to be representative of all non-farm Australian employers and employees in the national workplace relations system (i.e. covered by the Fair Work Act). The AWRS included enterprises within the private sector, public sector, non-Government organisations and not-for-profit organisations; however, excluded businesses in the Agriculture, forestry and fishing industry. The survey was also restricted to businesses with five or more employees.²⁰

2.2.1 Describing the AWRS

The following table presents the maximum sample sizes for each of the business groups discussed throughout the paper. The maximum sample sizes were obtained from the Employer Characteristics and Employee Relations surveys, with lower sample sizes obtained for the remaining surveys.

Table 2.1: Maximum sample sizes

Business size	Degree of award reliance		
	None No.	Up to half No.	More than half No.
Small	917	136	213
Larger	1161	306	324

Source: AWRS 2014.

Chart 2.1 shows the distribution of award-reliant businesses by their degree of award reliance for both small and larger businesses. The chart separates the distribution into deciles, where the first decile is businesses with up to 10 per cent of their employees award reliant and the tenth decile is businesses with over 90 per cent of their employees award reliant. It reveals that there was a higher proportion (over one quarter) of small businesses with over 90 per cent of their employees award reliant than for larger businesses. Around six in ten small businesses with award-reliant employees had more than half of their employees award reliant.

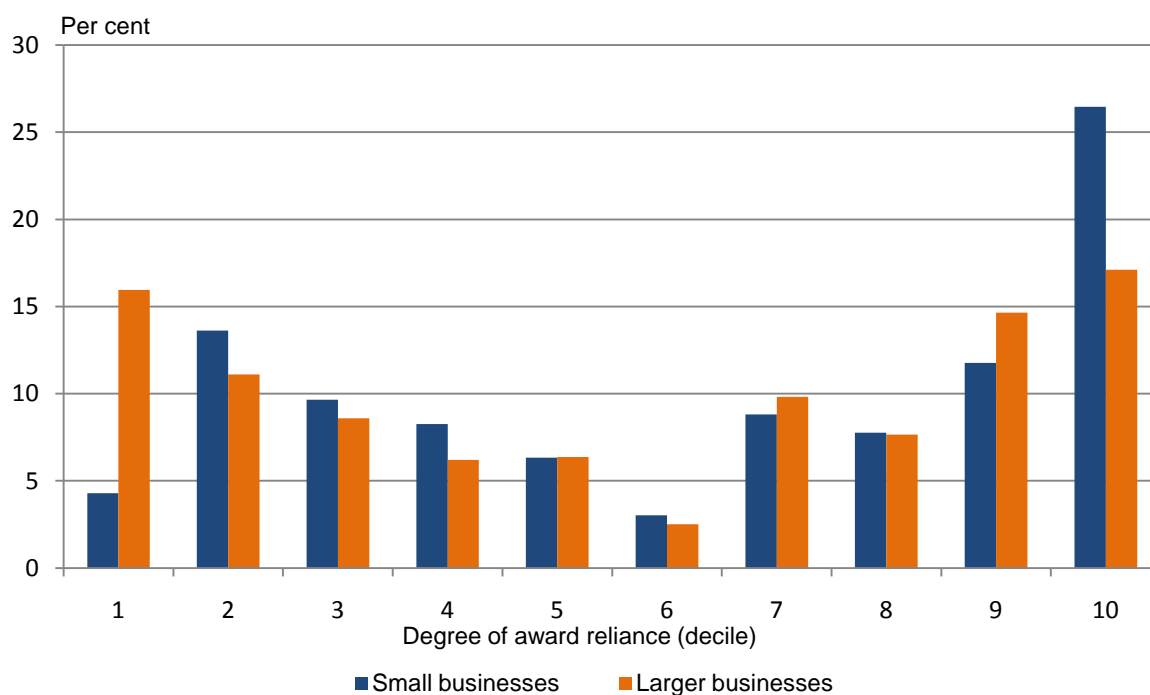
¹⁹ Some data from the AWRS may be revised after the publication of this report.

²⁰ Pay Equity Unit (2015), *First Findings report: consolidated content from online publication*, Fair Work Commission, 29 January.

The distribution for larger businesses is U-shaped, where the highest proportions of award-reliant employees are at the highest and lowest ends of the distribution. Over half of larger businesses had more than half of their employees award reliant.

Across both business sizes, most businesses with more than half their employees award reliant had over 80 per cent of their employees award reliant.

Chart 2.1: Distribution of award-reliant businesses by degree of award reliance



Source: AWRS 2014.

2.3 Award Reliance Survey

In 2011, the Workplace Research Centre, University of Sydney Business School (WRC) was commissioned to undertake research into award reliance through the development of a survey, the Award Reliance Survey. The fieldwork and data collection for the Award Reliance Survey was conducted in collaboration with ORC International in 2013.

The focus of the Award Reliance Survey was to quantitatively investigate award reliance across and within Australian workplaces, to identify the mix or categories of award-reliant employees and their location on award classification scales. The survey also asked enterprises about their wage-setting practices and reasons why employees were paid award rates. The survey was undertaken at the enterprise level due to the lack of firm-level data available by pay-setting arrangement. The survey results were based on a sample of 11 534 organisations (of which 4270 were award-reliant businesses).

The Award Reliance Survey included employing businesses with fewer than five employees, which were excluded from the AWRS.

Unlike the AWRS, public sector organisations were excluded from the survey as they operate on a different basis to those in the private sector and in several jurisdictions their wages and conditions are governed by state workplace relations systems.

Based on jurisdictional coverage, the survey scope included all private sector and non-government organisations with at least one employee in Australia, with the following exceptions:

- businesses in the Agriculture, forestry and fishing industry;
- for the Australian and New Zealand Standard Industrial Classification (ANZSIC) Public administration and safety classification, only businesses from industry codes 753 (Local government administration) and 7712 (Investigation and security services) were included; and
- unincorporated businesses in Western Australia.²¹

The survey questions analysed in this paper were only asked of award-reliant businesses, in this case, defined as an organisation that employed at least one award-reliant employee. For more information on the scope of the Award Reliance Survey, see Wright and Buchanan (2013).

²¹ For a description of the employers and employees that come under the national workplace relations system, see Wright and Buchanan (2013), *Award reliance*, Research Report 6/2013, Fair Work Commission.

3 Characteristics of businesses

This chapter focuses on the characteristics of businesses, comparing businesses by degree of award reliance and size. The data in this chapter are grouped into business composition, working arrangements, workforce changes and reasons for pay-setting arrangements.

3.1 Business composition

Most businesses were in the private sector and operating for profit. Small businesses with award-reliant employees were relatively more likely to be a not-for-profit institution, particularly small businesses with more than half of their employees award reliant. A higher proportion of larger businesses were a not-for-profit institution/government agency or department than small businesses, with larger businesses with more than half of their employees award reliant also relatively more likely to be a not-for-profit institution/government agency or department than other business groups (Table 3.1).

Table 3.1: Businesses by type of organisation

Type	Small businesses			Larger businesses		
	Degree of award reliance			Degree of award reliance		
	None %	Up to half %	More than half %	None %	Up to half %	More than half %
Private business operating for profit	92.7	90.5	88.0	82.5	87.2	80.4
Not-for-profit institution/ government agency or department	7.3	9.5	12.0	17.5	12.8	19.6

Source: AWRS 2014.

The average business size by degree of award reliance is presented in Table 3.2. The average size of small businesses with award-reliant employees was larger than businesses with no award-reliant employees, with the average size of businesses with more than half of their employees award reliant the largest among small businesses. However, among larger businesses, the average size of businesses with more than half of their employees award reliant was smaller than for the other business groups.

Table 3.2: Average business size

Business size	Degree of award reliance		
	None No. of employees	Up to half No. of employees	More than half No. of employees
Small	10.7	11.2	11.6
Larger	153.6	153.1	110.7

Source: AWRS 2014.

The proportion of businesses by industry presented in Table 3.3 shows that small businesses in Retail trade and Accommodation and food services were relatively more likely to have award-reliant employees than other industries. Industries with the highest proportion of small businesses with more than half of their employees award reliant were Accommodation and food services; Retail trade; and Health care and social assistance. For small businesses with up to half of their employees award reliant, the industries with the highest proportion of businesses were Retail trade; Professional, scientific and technical services; and Construction. These industries also had the highest proportion of businesses with no award-reliant employees, which may be indicative of the total number of small businesses in these industries compared with other industries.

Table 3.3: Industry of business, small businesses

Industry	Degree of award reliance		
	None %	Up to half %	More than half %
Mining	0.8	0.0	0.0
Manufacturing	10.4	10.4	4.0
Electricity, gas, water and waste services	0.4	0.0	np
Construction	12.6	13.0	5.8
Wholesale trade	8.2	5.5	np
Retail trade	10.8	17.3	20.6
Accommodation and food services	6.8	11.2	36.9
Transport, postal and warehousing	3.9	np	3.7
Information media and telecommunications	0.9	np	np
Financial and insurance services	3.1	np	0.0
Rental, hiring and real estate services	4.6	5.5	np
Professional, scientific and technical services	13.5	13.3	np
Administrative and support services	5.1	5.0	2.5
Public administration and safety	0.5	np	np
Education and training	2.2	1.2	1.8
Health care and social assistance	7.3	5.7	11.3
Arts and recreation services	1.1	1.3	3.8
Other services	7.8	8.1	4.4

Source: AWRS 2014.

Among larger businesses, the industries with the highest proportion of businesses with more than half of their employees award reliant were Accommodation and food services; Retail trade; Health care and social assistance; and Administrative and support services (Table 3.4). The highest proportion of larger businesses with up to half of their employees award reliant were Retail trade; Manufacturing; Accommodation and food services; and Wholesale trade. Among non award-reliant businesses, the highest proportions were for Professional, scientific and technical services; Manufacturing; and Construction.

Table 3.4: Industry of business, larger businesses

Industry	Degree of award reliance		
	None %	Up to half %	More than half %
Mining	1.7	np	0.0
Manufacturing	12.8	13.2	7.4
Electricity, gas, water and waste services	0.7	0.6	np
Construction	11.1	8.8	np
Wholesale trade	8.1	10.2	2.6
Retail trade	6.9	22.1	16.4
Accommodation and food services	6.7	10.3	32.3
Transport, postal and warehousing	4.6	4.2	1.7
Information media and telecommunications	1.6	1.5	np
Financial and insurance services	2.5	1.9	np
Rental, hiring and real estate services	2.7	4.5	np
Professional, scientific and technical services	12.9	4.1	np
Administrative and support services	7.7	1.5	11.9
Public administration and safety	1.8	0.9	1.0
Education and training	3.8	2.8	1.5
Health care and social assistance	8.0	6.4	12.4
Arts and recreation services	2.0	1.9	5.9
Other services	4.5	4.9	1.7

Source: AWRS 2014.

The next two tables present data on the proportion of businesses by degree of award reliance within each industry rather than within each degree of award reliance (as presented in Tables 3.3 and 3.4). Table 3.5 shows that Accommodation and food services was the only industry where more than half of small businesses within the industry were award-reliant businesses, with around half of those businesses with more than half of their employees award reliant. Around half of small businesses in Arts and recreation services were award-reliant businesses, with almost 40 per cent of businesses with more than half of their employees award reliant. Around one-quarter of small businesses in Retail trade and Health care and social assistance were businesses with more than half of their employees award reliant.

Table 3.5: Degree of award reliance by industry, small businesses

Industry	Degree of award reliance			All
	None	Up to half	More than half	%
	%	%	%	%
Mining	100.0	0.0	0.0	100
Manufacturing	79.5	13.4	7.1	100
Electricity, gas, water and waste services	96.7	0.0	np	100
Construction	78.1	13.5	8.3	100
Wholesale trade	86.6	9.8	np	100
Retail trade	58.3	15.8	25.9	100
Accommodation and food services	39.5	11.0	49.6	100
Transport, postal and warehousing	79.4	np	17.5	100
Information media and telecommunications	90.7	np	np	100
Financial and insurance services	94.9	np	0.0	100
Rental, hiring and real estate services	78.9	15.8	np	100
Professional, scientific and technical services	84.0	14.0	np	100
Administrative and support services	77.9	13.0	9.1	100
Public administration and safety	70.0	np	np	100
Education and training	77.5	7.5	15.0	100
Health care and social assistance	67.1	8.9	24.1	100
Arts and recreation services	50.7	9.9	39.4	100
Other services	76.4	13.5	10.1	100

Source: AWRS 2014.

Among larger businesses, over half of businesses in Accommodation and food services; Retail trade; and Arts and recreation services were award reliant. Similar to small businesses, around half of businesses in Accommodation and food services and 40 per cent of businesses in Arts and recreation services were businesses with more than half of their employees award reliant. In addition, a relatively high proportion of larger businesses within Administrative and support services; Retail trade; and Health care and social assistance were businesses with more than half of their employees award reliant.

In contrast to small businesses, some industries for larger businesses had much higher proportions relative to the all industries average with up to half of their employees award reliant, such as Retail trade and Rental, hiring and real estate services (Table 3.6).

Table 3.6: Degree of award reliance by industry, larger businesses

Industry	Degree of award reliance			All %
	None %	Up to half %	More than half %	
Mining	98.2	np	0.0	100
Manufacturing	70.0	18.7	11.3	100
Electricity, gas, water and waste services	75.0	16.7	np	100
Construction	82.3	16.9	np	100
Wholesale trade	70.7	22.9	6.4	100
Retail trade	40.1	33.3	26.6	100
Accommodation and food services	36.3	14.6	49.1	100
Transport, postal and warehousing	74.8	17.7	7.5	100
Information media and telecommunications	73.7	18.4	np	100
Financial and insurance services	81.8	15.9	np	100
Rental, hiring and real estate services	65.4	28.8	np	100
Professional, scientific and technical services	87.5	7.1	np	100
Administrative and support services	67.5	3.4	29.1	100
Public administration and safety	78.0	10.0	12.0	100
Education and training	76.7	14.7	8.5	100
Health care and social assistance	61.1	12.7	26.2	100
Arts and recreation services	48.0	12.0	40.0	100
Other services	71.8	20.5	7.7	100

Source: AWRS 2014.

The average number of worksites presented in Table 3.7 shows that small businesses were more likely to have only one worksite. Businesses with no award-reliant employees and businesses with up to half of their employees award reliant were relatively more likely to have two to five worksites.

Among larger businesses, a higher proportion of businesses with up to half of their employees award reliant had more than ten worksites.

Table 3.7: Businesses by number of worksites

Number of worksites	Small businesses			Larger businesses		
	Degree of award reliance			Degree of award reliance		
	None %	Up to half %	More than half %	None %	Up to half %	More than half %
1	78.9	79.2	85.6	45.1	41.7	56.5
2–5	19.8	20.8	13.7	38.3	38.5	27.2
6–10	0.9	0.0	0.0	9.8	8.3	8.2
11–20	0.0	0.0	np	3.0	5.3	4.1
21–50	np	0.0	np	2.6	5.2	2.2
Over 50	np	0.0	0.0	1.1	1.1	1.8

Source: AWRS 2014.

Businesses were asked in which states or territories they had worksites (Table 3.8), whereby businesses with multiple worksites could respond in regard to more than one state or territory. The state with the highest proportion of worksites across all business groups was New South Wales. The state with the second highest proportion across most business groups was Victoria, except for small award-reliant businesses which were relatively more common in Queensland.

Table 3.8: Business worksites by state/territory

State/territory	Small businesses			Larger businesses		
	Degree of award reliance			Degree of award reliance		
	None %	Up to half %	More than half %	None %	Up to half %	More than half %
New South Wales	35.8	40.7	41.8	42.2	44.7	37.8
Victoria	29.9	24.2	20.2	41.6	36.9	30.5
Queensland	21.7	26.0	23.8	35.1	36.6	25.8
South Australia	7.1	2.9	4.8	14.5	13.3	12.4
Western Australia	13.1	8.9	5.8	25.1	19.7	10.1
Tasmania	2.3	np	4.7	6.7	6.5	5.5
Northern Territory	3.2	np	np	6.8	3.4	2.5
Australian Capital Territory	3.4	2.9	np	6.3	5.8	4.9

Note: Businesses could provide multiple responses to this question; therefore the responses may not sum to 100.

Source: AWRS 2014.

Most businesses had their largest share of employees in metropolitan areas rather than regional/rural areas (Table 3.9). This was relatively more likely for larger businesses and businesses with no award-reliant employees than other businesses. Small and larger businesses with more than half of their employees award reliant were relatively more likely to operate or have the largest share of their employees in regional/rural areas than other businesses.

Table 3.9: Largest share of employees by region

Area	Small businesses			Larger businesses		
	Degree of award reliance			Degree of award reliance		
	None %	Up to half %	More than half %	None %	Up to half %	More than half %
Metropolitan	66.1	55.9	53.5	71.0	68.1	58.4
Regional/rural	33.9	44.1	46.5	29.0	31.9	41.6

Source: AWRS 2014.

Larger businesses had been operating for longer than small businesses based on the average number of years of operation under the current ownership (Table 3.10). Businesses with up to half of their employees award reliant had been operating the longest under their current ownership across both business sizes, while businesses with no award-reliant employees had been operating for the fewest number of years across both business sizes.

Table 3.10: Years of operation under current ownership

Business size	Degree of award reliance		
	None Years	Up to half Years	More than half Years
Small	16.4	18.2	17.2
Larger	23.1	28.3	25.5

Source: AWRS 2014.

Businesses were asked how many days per week and on which days the business operated. Most businesses responded that they operated on weekdays only or for seven days.

Both small and larger businesses with more than half of their employees award reliant were relatively more likely to operate seven days per week, while businesses with no award-reliant employees were relatively more likely to operate on weekdays only (Table 3.11). Among businesses with up to half of their employees award reliant, small businesses were relatively more likely to operate on weekdays only, while larger businesses were relatively more likely to operate for seven days.

Table 3.11: Operating days

	Small businesses			Larger businesses		
	Degree of award reliance			Degree of award reliance		
Operating days	None %	Up to half %	More than half %	None %	Up to half %	More than half %
Weekdays only	58.1	48.2	23.3	47.3	34.6	19.4
Weekdays and Saturday	18.9	19.1	16.0	13.6	22.1	9.9
Some weekdays and weekend	2.0	5.0	3.2	1.5	np	np
Operating 7 days	20.8	27.1	56.8	37.1	41.7	69.3
Other	np	np	np	0.4	np	np

Note: Excludes 'don't know' responses.

Source: AWRS 2014.

3.1.1 Summary

This section on business characteristics has shown that there was some variation in business composition between award-reliant businesses and non award-reliant businesses and between small and larger businesses.

Award-reliant businesses were relatively more likely to be a not-for-profit institution/government agency or department, operate in regional/rural areas, operate in the Retail trade and Accommodation and food services industries and on weekends. Small businesses with more than half of their employees award reliant had the largest average number of employees compared with other small businesses, while among larger businesses, those with more than half of their employees award reliant had the lowest average number of employees. Larger businesses were more likely to have their largest share of employees in metropolitan areas, as were businesses with no award-reliant employees.

3.2 Working arrangements

This section provides an indication of the differences in the types of working arrangements used across each of the business groups.

Table 3.12 shows that larger businesses were relatively more likely to have used shift work arrangements than small businesses. For both business sizes, a higher proportion of businesses with more than half of their employees award reliant used shift work arrangements compared with other businesses. Similar proportions of businesses with no award-reliant employees and up to half of their employees award reliant reported that they used shift work arrangements.

Table 3.12: Prevalence of shift work arrangements

Business size	Degree of award reliance		
	None %	Up to half %	More than half %
Small	15.0	14.8	40.8
Larger	35.3	37.2	58.0

Note: Excludes 'unsure' responses.

Source: AWRS 2014.

Various types of shift work arrangements, presented in Table 3.13, were used by businesses, with set rosters and eight-hour shifts the most common types across both business sizes. The most common types of shift work arrangements were relatively similar between businesses with no award-reliant employees and businesses with up to half of their employees award reliant.

The most common shift work arrangements used by small businesses with more than half of their employees award reliant were short shifts of four hours or less, evening and night shifts, set rosters and afternoon shifts. The most common shift work arrangements used by small businesses with no award-reliant employees and businesses with up to half of their employees award reliant were eight-hour shifts, standard business hours and set rosters.

The most common types of shift work arrangements used by larger businesses with more than half of their employees award reliant were afternoon shifts, evening and night shifts, eight-hour shifts and set rosters. For larger businesses with no award-reliant employees and those with up to half of their employees award reliant, the most common types of shift work arrangements were set rosters, eight-hour shifts and standard business hours.

Table 3.13: Types of shift work arrangements

Shift work arrangement	Small businesses			Larger businesses		
	Degree of award reliance			Degree of award reliance		
	None %	Up to half %	More than half %	None %	Up to half %	More than half %
Rotating rosters	49.0	63.8	57.9	61.9	66.6	63.9
Set rosters	73.9	73.7	76.1	81.5	83.7	84.4
Early morning shifts	60.1	54.6	53.8	68.3	72.3	72.7
Afternoon shifts	66.1	59.6	73.3	72.6	77.2	91.9
Evening and night shifts	58.1	69.7	76.9	76.3	75.3	88.2
Standard business hours	74.1	76.7	48.3	79.0	79.0	69.9
Split/broken shifts	30.1	37.5	43.0	29.0	34.0	58.3
Standby/on call	44.5	24.7	25.8	51.4	36.6	38.9
8-hour shifts	86.9	79.2	63.2	83.9	82.7	85.7
12-hour shifts	31.9	33.8	9.7	39.4	33.0	20.0
Short shifts of 4 hours or less	40.0	59.1	78.5	41.8	52.3	73.0
Other	0.8	0.0	np	2.4	1.8	2.4

Note: Businesses could provide multiple responses to this question; therefore the responses may not sum to 100.

Source: AWRS 2014.

All businesses in the survey were found to have used some type of flexible work practice, with the different types of flexible work practices used provided in Table 3.14. The most common types of flexible work practices across each degree of award reliance for small businesses were 'flexible start and finish times', 'flexible leave arrangements' and 'time off in lieu of overtime'. However, a smaller proportion of small businesses with more than half of their employees award reliant used these and other flexible work practices compared with other small businesses.

'Flexible start and finish times' was also the most common flexible work practice used by larger businesses across each degree of award reliance, as were 'time off in lieu of overtime' and 'flexible leave arrangements'. For most of these flexible work practices, a smaller proportion of larger businesses with more than half of their employees award reliant used these and other flexible work practices compared with other larger businesses.

Table 3.14: Types of flexible work practices

Type of flexible practice	Degree of award reliance		
	None %	Up to half %	More than half %
Small			
Flexible start and finish times	81.4	83.3	72.6
Job sharing for existing employees who want to change from full-time to part-time	45.1	58.2	39.5
Other arrangements for employees to change from full-time to part-time	46.3	53.5	43.2
Time off in lieu of overtime	65.7	70.7	50.4
Regular or formal arrangement for working from home or teleworking from another location	42.6	42.2	21.1
Flexible leave arrangements (such as purchasing additional leave, cash-out leave)	71.4	72.6	55.7
Banking of hours	50.7	60.6	35.9
Other	3.1	3.4	3.4
Larger			
Flexible start and finish times	86.1	83.3	81.9
Job sharing for existing employees who want to change from full-time to part-time	56.7	56.8	53.9
Other arrangements for employees to change from full-time to part-time	61.3	66.9	58.6
Time off in lieu of overtime	75.7	75.1	68.2
Regular or formal arrangement for working from home or teleworking from another location	56.4	48.9	37.5
Flexible leave arrangements (such as purchasing additional leave, cash-out leave)	72.8	71.9	68.6
Banking of hours	55.4	59.5	60.4
Other	7.7	5.8	8.4

Note: Excludes 'don't know' responses. Businesses could provide multiple responses to this question; therefore the responses may not sum to 100.

Source: AWRS 2014.

3.2.1 Summary

This section showed that larger businesses were more likely to have shift work arrangements, as were businesses with more than half of their employees award reliant. Small businesses with more than half of their employees award reliant were relatively more likely to use short shifts of four hours or less.

Businesses with no award-reliant employees were relatively more likely to have standby/on call arrangements. Small businesses with no award-reliant employees and those with up to half of their employees award reliant were relatively more likely to have eight-hour shifts.

The most common flexible work practice across all business sizes and degrees of award reliance was 'flexible start and finish times'. However, this section showed greater similarity between the working arrangements of non award-reliant businesses and businesses with up to half of their employees award reliant, than between these groups and businesses with more than half of their employees award reliant across shift work arrangements.

3.3 Workforce changes

This section describes the changes to workforce sizes that occurred within businesses during the last financial year (2012–13) compared with the previous financial year (2011–12). Across each of the small business groups, the number of employees within businesses was relatively more likely to have remained the same during the last financial year compared with the previous financial year (Table 3.15). Small businesses with more than half of their employees award reliant were relatively more likely to report that the number of employees remained the same and were the least likely to report an increase in the number of employees during the last financial year compared with the previous financial year.

As with small businesses, larger businesses with more than half of their employees award reliant were also least likely to have increased their number of employees and were relatively more likely to have their number of employees remain the same during the last financial year compared with the previous financial year. Other larger businesses were relatively more likely to have increased their number of employees.

Table 3.15: Staff turnover

	Small businesses			Larger businesses		
	Degree of award reliance			Degree of award reliance		
Change	None	Up to half	More than half	None	Up to half	More than half
	%	%	%	%	%	%
Increased	34.9	35.5	19.3	43.7	47.1	32.7
Decreased	26.5	22.4	23.9	24.9	26.3	21.4
Remained the same	38.6	42.0	56.8	31.4	26.6	46.0

Note: Excludes 'don't know' responses.

Source: AWRS 2014.

Businesses that increased their number of employees were asked the main reasons for the overall increase in the last financial year. The most common reason for an increase in jobs among all business groups was an increase in demand for their product/services (Table 3.16).

Small businesses with more than half of their employees award reliant were relatively more likely to indicate that the main reasons for an increase in their number of employees was due to more work undertaken by workers directly employed by the business rather than contractors or labour hire and a greater range of skills required. A greater range of skills required was the second most common reason for small businesses with no award-reliant employees or up to half of their employees award reliant.

For larger businesses, the second most common reason for an increase in their number of employees across each degree of award reliance was a greater range of skills required. Business

growth was also a relatively common reason for an increase in employee numbers in larger businesses across each degree of award reliance, while more work undertaken by workers directly employed by the business rather than contractors or labour hire was relatively more common among businesses with no award-reliant employees or up to half of their employees award reliant.

Table 3.16: Reasons for an increase in jobs

Reason	Degree of award reliance		
	None %	Up to half %	More than half %
Small			
Increase in demand for products/services	78.5	86.1	75.3
More work undertaken by workers directly employed by the business/organisation and less work undertaken by contractors or labour hire	7.5	np	20.5
Permanent full-time positions replaced with part-time/casual	5.4	2.2	11.6
Greater range of skills required (e.g. increased range of products/services offered)	10.9	12.8	19.7
Business growth	4.5	9.3	np
Other	3.0	np	np
Larger			
Increase in demand for products/services	82.1	76.8	83.0
More work undertaken by workers directly employed by the business/organisation and less work undertaken by contractors or labour hire	11.1	11.2	4.1
Permanent full-time positions replaced with part-time/casual	3.7	5.1	np
Greater range of skills required (e.g. increased range of products/services offered)	14.3	13.4	14.0
Additional workplaces/sites opened	3.0	4.7	8.8
Business growth	9.1	11.9	10.7
Other	1.9	1.7	1.4

Note: Excludes 'don't know' responses. For small businesses, Other includes 'Additional workplaces/sites opened'; 'Vacancies filled'; 'Business efficiencies'; 'Business restructured'; 'Changes to employment structure/status/working hours/flexibility/etc.'; and 'Other'. For larger businesses, Other includes 'Vacancies filled'; 'Business efficiencies'; 'Business restructured'; 'Changes to employment structure/status/working hours/flexibility/etc.'; and 'Other'. Businesses could provide multiple responses to this question; therefore the responses may not sum to 100.

Source: AWRS 2014.

Businesses were also asked the main reasons for the overall reduction in the number of employees in the last financial year. The most common reason across each business group for the reduction in employment in the last financial year was due to a decrease in demand for their products/services (Table 3.17).

The next most common reasons for small businesses with no award-reliant employees and for businesses with more than half of their employees award reliant was that people left and were not replaced. Small businesses with up to half of their employees award reliant were relatively more likely to indicate that it was difficult to recruit suitable employees. Larger businesses with up to half of their employees award reliant also indicated that business changes led to a reduction in the number of employees.

Table 3.17: Reasons for a decrease in jobs

Reason	Degree of award reliance		
	None %	Up to half %	More than half %
Small			
Decrease in demand for products/services	67.4	68.4	72.7
More work undertaken by contractors, labour hire	3.9	0.0	np
Improvements in labour productivity/efficiency	7.8	np	np
Difficulties with recruitment of suitable employees	4.9	20.2	np
Consolidation/redundancies/downsizing	2.3	0.0	np
Business changes restructuring/relocation etc.	6.2	0.0	np
People left & not replaced (unclear why)	16.8	np	12.5
Other	1.6	3.5	2.6
Larger			
Decrease in demand for products/services	73.5	63.5	69.2
Improvements in labour productivity/efficiency	7.4	10.1	np
Offsetting an increase in wage cost	6.7	np	9.4
Business changes restructuring/relocation etc.	6.0	18.9	9.6
People left & not replaced (unclear why)	7.1	np	9.1
Other	3.7	3.1	3.5

Note: Excludes 'don't know' responses. For small businesses, Other includes 'Part-time/casual positions replaced with full-time positions'; 'Reduced range of skills required (e.g. reduced range of products/services offered)'; 'Offsetting an increase in wage costs'; 'Regulatory changes/restrictions – OH&S, union/award etc.'; 'Weather/natural disaster'; and 'Other'. For larger businesses, Other includes 'More work undertaken by contractors, labour hire'; 'Part-time/casual positions replaced with full-time positions'; 'Reduced range of skills required (e.g. reduced range of products/services offered)'; 'Difficulties with recruitment of suitable employees'; 'Consolidation/redundancies/downsizing'; 'Regulatory changes/restrictions – OH&S, union/award etc.'; 'Weather/natural disaster'; and 'Other'. Businesses could provide multiple responses to this question; therefore the responses may not sum to 100.

Source: AWRS 2014.

Most business groups were relatively more likely to report an adequate supply of labour rather than a labour shortage (Table 3.18). Small businesses with no award-reliant employees were relatively more likely to report an adequate supply of labour. Small businesses with award-reliant employees and larger businesses with more than half of their employees award reliant were relatively more likely to report a labour shortage compared with the other business groups.

Table 3.18: Prevalence of labour shortage

Labour	Small businesses			Larger businesses		
	Degree of award reliance			Degree of award reliance		
	None	Up to half	More than half	None	Up to half	More than half
	%	%	%	%	%	%
Adequate supply	60.6	49.9	54.1	59.3	59.1	50.2
Shortage	39.4	50.1	45.9	40.7	40.9	49.8

Note: Excludes 'unsure' responses.

Source: AWRS 2014.

Businesses that reported a labour shortage were then asked what skills their business was experiencing a shortage of (Table 3.19). The most common skills that small businesses faced a shortage of were Professionals and Tradespeople, with small businesses with more than half of their employees award reliant also experiencing a shortage of Hospitality/service experience.

Similar results were found among larger businesses, with larger businesses with more than half of their employees award reliant experiencing a shortage of Professionals, followed by Hospitality/service experience and Tradespeople. Professionals and Tradespeople were the most common shortage of skills faced by larger businesses with no award-reliant employees and businesses with up to half of their employees award reliant.

Table 3.19: Reasons for labour shortage

Reason	Degree of award reliance		
	None %	Up to half %	More than half %
Small			
Sales experience	9.4	10.8	6.3
Hospitality/service experience	10.3	9.4	28.4
Managers	6.2	12.7	7.4
Professionals	35.0	23.9	31.2
Tradespeople	42.0	46.4	23.0
Work ethic	3.8	0.0	8.4
Language skills/proficiency	1.5	0.0	np
Other	3.5	np	np
Larger			
Sales experience	6.6	15.4	5.2
Hospitality/service experience	9.0	15.9	26.4
Managers	9.1	12.5	11.0
Professionals	44.6	35.7	33.2
Tradespeople	39.4	45.7	22.5
Work ethic	2.6	np	5.6
Language skills/proficiency	0.7	np	2.6
Other	2.0	2.0	8.2

Note: Excludes 'don't know' responses. Businesses could provide multiple responses to this question; therefore the responses may not sum to 100.

Source: AWRS 2014.

3.3.1 Summary

This section showed that the number of employees in businesses was relatively more likely to have remained the same in the last financial year compared with the previous financial year for businesses with more than half of their employees award reliant. Businesses with no award-reliant employees or with up to half of their employees award reliant were relatively more likely to have increased their number of employees.

The most common reasons for an increase or decrease in jobs was an increase or decrease in the demand for products/services across all business groups.

Small businesses with no award-reliant employees were relatively more likely to have an adequate supply of labour compared with other small businesses, while larger businesses with more than half of their employees award reliant were relatively more likely to experience a shortage of labour compared with other larger businesses.

The most common skills that businesses experienced a shortage of were Professionals and Tradespeople.

3.4 Reasons for pay-setting arrangements

This section discusses the reasons businesses used different pay-setting arrangements, incorporating data from both the AWRS and Award Reliance Survey.

3.4.1 Pay-setting arrangements using data from AWRS

The AWRS asked businesses that did not have an enterprise agreement for the reasons why this was the case. Table 3.20 shows that the most common reason for small businesses with award-reliant employees not to have an enterprise agreement across the degrees of award reliance was that 'award rates and conditions are adequate'. A relatively high proportion of small businesses with no award-reliant employees also listed this as a reason; however, the most common reason for these businesses was that they 'prefer to negotiate with individual employees than a collection of employees'. Also relatively common across the degrees of award reliance was that enterprise agreements were 'too difficult to implement'.

The table shows that some business with no award-reliant employees indicated 'award rates and conditions are adequate' as a reason for not using enterprise agreements. One possible reason for such a response may be that these businesses still refer to award rates and conditions to set pay for their employees who received over-award rates of pay.

Table 3.20: Why businesses do not use enterprise agreements, small businesses

Reason	Degree of award reliance		
	None %	Up to half %	More than half %
The financial cost of negotiating an agreement would outweigh any performance/productivity benefits	3.2	4.3	4.0
Do not have the management resources to initiate negotiations with employees (e.g. do not have the legal and/or facilitation expertise within the businesses)	1.5	np	2.3
Too difficult to implement (i.e. too much red tape and legal work)	11.2	16.3	12.5
Prefer to negotiate with individual employees than a collection of employees	25.4	9.3	2.3
The diversity of operations and roles across the business/organisation would require more than one enterprise agreement	7.9	6.1	np
Award rates and conditions are adequate	23.8	31.2	48.5
Not suited to business size/type	10.0	9.1	3.7
Don't know much about enterprise agreements	1.9	5.0	5.7
Don't see the need/haven't thought about it	4.8	6.2	5.4
Other	6.0	np	7.6

Note: Excludes 'don't know' responses. Businesses could provide multiple responses to this question; therefore the responses may not sum to 100.

Source: AWRS 2014.

Similarly for larger businesses, the most common reason across the degrees of award reliance for businesses not having an enterprise agreement was that 'award rates and conditions are adequate' (Table 3.21). The next most common reason for larger businesses with award-reliant employees not to use enterprise agreements was that they were 'too difficult to implement', while for businesses with no award-reliant employees, it was that they 'prefer to negotiate with individual employees than a collection of employees'.

Table 3.21: Why businesses do not use enterprise agreements, larger businesses

Reason	Degree of award reliance		
	None %	Up to half %	More than half %
The financial cost of negotiating an agreement would outweigh any performance/productivity benefits	3.4	4.8	6.4
Do not have the management resources to initiate negotiations with employees (e.g. do not have the legal and/or facilitation expertise within the businesses)	3.3	3.0	5.2
Too difficult to implement (i.e. too much red tape and legal work)	8.6	17.1	17.5
Prefer to negotiate with individual employees than a collection of employees	20.3	9.0	2.6
The diversity of operations and roles across the business/organisation would require more than one enterprise agreement	8.8	7.5	3.0
Award rates and conditions are adequate	29.4	39.4	46.8
Not suited to business size/type	4.7	2.9	1.8
Don't know much about enterprise agreements	1.5	np	0.0
Don't see the need/haven't thought about it	7.0	4.1	2.5
Other	4.9	3.9	9.5

Note: Excludes 'don't know' responses. Businesses could provide multiple responses to this question; therefore the responses may not sum to 100.

Source: AWRS 2014.

Businesses with enterprise agreements were asked how the wages in their enterprise agreement compared with award wages. Of the response categories provided in the survey, the most common comparison made by small businesses between enterprise agreement wages and award wages was that wages in enterprise agreements 'sit well above the award wage rates'.

Among larger businesses, the most common comparison of enterprise agreement wages to award wages across the degrees of award reliance was also that they 'sit well above the award wage rates'. However, enterprise agreements in larger businesses with more than half of their employees award reliant were relatively more likely to 'replicate award wage rates' than other businesses (Table 3.22).

Table 3.22: Comparison of enterprise agreement wages to award wages

Type of comparison	Degree of award reliance		
	None %	Up to half %	More than half %
Small			
Replicate award wage rates	6.2	np	np
Sit just above the award wage rates	32.2	23.7	np
Sit well above the award wage rates	55.5	67.3	np
Enterprise agreement wages have not been compared to award(s)	np	0.0	0.0
Other	np	0.0	0.0
Larger			
Replicate award wage rates	9.1	6.3	26.5
Sit just above the award wage rates	22.4	34.3	33.2
Sit well above the award wage rates	62.5	62.4	39.1
Enterprise agreement wages have not been compared to award(s)	1.6	0.0	0.0
Other	1.2	0.0	0.0

Note: Excludes 'don't know' and 'missing in error' responses. Businesses could provide multiple responses to this question; therefore the responses may not sum to 100.

Source: AWRS 2014.

Businesses were asked which of the methods provided in Table 3.23 they used to determine wage increases for employees. A higher proportion of small businesses with more than half of their employees award reliant indicated that 'pre-determined adjustments such as through annual increases' determined wage increases for employees. The most common methods for both small businesses with no award-reliant employees and with up to half of their employees award reliant were 'performance assessment' and 'negotiations initiated by employees'.

Similar results were found for larger businesses, with the most common method to determine wage increases for larger businesses with more than half of their employees award reliant also 'pre-determined adjustments such as through annual increases'. The most common method for both larger businesses with no award-reliant employees and with up to half of their employees award reliant was 'performance assessment'.

Table 3.23: Eligible wage increase

Method	Degree of award reliance		
	None %	Up to half %	More than half %
Small			
Pre-determined adjustments such as through annual increases	54.2	59.3	67.5
Performance assessment	79.2	84.5	52.9
Negotiations initiated by employees	66.5	73.4	44.3
Other	5.1	np	np
Larger			
Pre-determined adjustments such as through annual increases	72.7	68.9	87.7
Performance assessment	82.9	85.3	74.2
Negotiations initiated by employees	66.4	75.1	62.1
Other	4.2	3.6	np

Note: Excludes 'don't know' responses. Businesses could provide multiple responses to this question; therefore the responses may not sum to 100. Enterprises were asked whether they used these methods to determine wage increases for all, most, some or none of their employees. The results shown in this table aggregate the results for all, most or some of their employees.

Source: AWRS 2014.

While larger businesses were relatively more likely to have workers on junior rates set as a proportion of the applicable adult rate compared with small businesses across each degree of award reliance, award-reliant businesses were also relatively more likely to have workers on junior rates of pay than non award-reliant businesses (Table 3.24).

Table 3.24: Businesses using junior rates of pay

Business size	Degree of award reliance		
	None %	Up to half %	More than half %
Small	9.9	29.6	29.7
Larger	19.2	38.1	39.7

Note: Excludes 'unsure' responses.

Source: AWRS 2014.

3.4.2 Pay-setting arrangements from the Award Reliance Survey

This section analyses the reasons businesses use particular pay-setting arrangements using data from the Award Reliance Survey. While the Award Reliance Survey included questions on the characteristics of businesses and business performance, the survey is unique in also asking businesses about the reasons for their pay-setting arrangements, in particular, awards and above-award arrangements. The data in this section were collected from non-public sector

organisations that reported they had at least one award-reliant employee. While these variables were analysed in Wright and Buchanan (2013), they were not presented by degree of award reliance or business size as presented in this report.

There are two main differences between the analysis of the Award Reliance Survey in this section and the analysis of AWRS throughout the rest of this report. The first is that the Award Reliance Survey included businesses with fewer than five employees, and these have been incorporated within small businesses. The second is that, due to the larger survey sample in the Award Reliance Survey, business size has been grouped into three categories rather than two. The business sizes are grouped as follows:

- small businesses – 1–19 employees;
- medium businesses – 20–99 employees; and
- large businesses – 100+ employees.²²

Table 3.25 presents the sample sizes of the number of businesses in the survey grouped into the relevant business size and degree of award reliance categories.

Table 3.25: Number of businesses in survey sample

Business size	Degree of award reliance		
	None	Up to half	More than half
Small	4690	854	1301
Medium	1695	635	856
Large	879	314	310

Source: Award Reliance Survey 2013.

Award-reliant businesses were asked why they paid their employees the exact award rate of pay (Table 3.26). The most common reasons for businesses with up to half of their employees award reliant across all business sizes was that award rates were ‘appropriate/fair remuneration’. ‘Affordability’ and ‘don’t want to pay more’ were also relatively common reasons.

The results were relatively more even for businesses with more than half of their employees award reliant than other businesses. For small and large businesses with more than half of their employees award reliant, the most common reasons were ‘affordability’ and that they ‘don’t want to pay more’. However, the most common reasons for medium businesses with more than half of their employees award reliant were ‘affordability’ and that award rates were ‘appropriate/fair remuneration’.

²² These business size groupings are consistent with Wright S and Buchanan J (2013), *Award reliance*, Fair Work Commission, Research Report 6/2013, December.

Table 3.26: Reasons businesses pay award rates of pay

Reasons	Degree of award reliance	
	Up to half %	More than half %
Small		
Affordability	18.0	26.2
Client/funding body requirement or direction	4.5	4.7
Don't want to pay more	17.0	20.7
Appropriate/fair remuneration	34.8	18.9
Equity/fairness/transparency of wage-setting arrangements	7.0	9.3
Ease/simplicity/unsure how much to pay above the award rate	14.0	13.2
Advice from employer association to pay award rate and not higher	2.7	3.4
Common practice in the industry/sector	10.7	12.5
Prefers to provide 'non-wage' benefits	1.6	3.2
Law/required to	5.4	7.4
Historical reasons	1.0	2.1
Probationary period/new staff	8.2	1.1
Other	2.7	2.3
No particular reason	3.2	4.9
Medium		
Affordability	11.3	24.3
Client/funding body requirement or direction	4.9	5.4
Don't want to pay more	15.6	18.9
Appropriate/fair remuneration	34.6	20.1
Equity/fairness/transparency of wage-setting arrangements	9.3	17.4
Ease/simplicity/unsure how much to pay above the award rate	15.0	18.2
Advice from employer association to pay award rate and not higher	2.7	4.1
Common practice in the industry/sector	14.8	13.4
Prefers to provide 'non-wage' benefits	1.3	1.1
Law/required to	3.7	11.2
Historical reasons	1.4	1.8
Probationary period/new staff	12.0	1.6
Other	1.3	1.4
No particular reason	2.1	2.2
Large		
Affordability	17.6	18.7
Client/funding body requirement or direction	12.5	9.4
Don't want to pay more	15.8	20.5
Appropriate/fair remuneration	35.3	17.7
Equity/fairness/transparency of wage-setting arrangements	10.2	18.9
Ease/simplicity/unsure how much to pay above the award rate	11.6	17.8

Reasons	Degree of award reliance	
	Up to half	More than half
	%	%
Advice from employer association to pay award rate and not higher	1.2	np
Common practice in the industry/sector	16.1	19.4
Prefers to provide 'non-wage' benefits	np	np
Law/required to	6.2	9.6
Historical reasons	2.1	2.1
Probationary period/new staff	6.6	np
Other	1.9	1.7
No particular reason	np	3.2

Note: Businesses could provide multiple responses to this question; therefore the responses may not sum to 100.

Source: Award Reliance Survey 2013.

The survey also asked businesses if there were any particular types of employees that were paid award rates, or if their award-reliant employees shared certain characteristics or employment arrangements.

Across all business sizes, the most common response from businesses with more than half of their employees award reliant was that 'particular roles/jobs or occupational groups' and casuals were paid award rates (Table 3.27).

Common types of employees paid award rates were 'particular roles/jobs or occupational groups', apprentices/trainees and casuals among businesses with up to half of their employees award reliant.

Table 3.27: Types of employees paid award rates of pay

Type of employees	Degree of award reliance	
	Up to half %	More than half %
Small		
Casuals	14.9	20.0
Part-time hours	6.7	11.2
Under 21 years	8.3	2.2
Apprentices/trainees	33.2	10.6
Everyone except for managers	1.1	9.6
Particular roles/jobs or occupational groups	21.9	34.0
Employees in their probationary period/new recruits	8.0	1.7
Employees at particular worksites	np	1.9
Labour hire staff placed in clients' workplaces on a temporary basis	np	np
Disability	np	np
Performance	np	np
Skill level/experience	9.2	9.0
Full-time hours (incl. full-time equivalents)	1.3	1.5
Hours	np	1.0
Other types	17.2	18.8
No	15.4	20.3
Medium		
Casuals	25.2	31.5
Part-time hours	4.4	9.8
Under 21 years	9.0	3.3
Apprentices/trainees	21.8	6.0
Everyone except for managers	0.0	9.9
Particular roles/jobs or occupational groups	40.3	45.7
Employees in their probationary period/new recruits	13.1	2.0
Employees at particular worksites	2.5	np
Labour hire staff placed in clients' workplaces on a temporary basis	np	1.1
Disability	0.7	0.0
Performance	0.8	0.1
Skill level/experience	11.4	7.8
Full-time hours (incl. full-time equivalents)	1.6	1.5
Hours	0.9	1.3
Other types	16.7	15.2
No	5.1	15.3
Large		
Casuals	21.1	26.9
Part-time hours	4.6	11.8
Under 21 years	9.1	3.0

Type of employees	Degree of award reliance	
	Up to half %	More than half %
Apprentices/trainees	20.6	4.0
Everyone except for managers	0.9	9.0
Particular roles/jobs or occupational groups	48.2	41.0
Employees in their probationary period/new recruits	11.0	np
Employees at particular worksites	9.2	2.7
Labour hire staff placed in clients' workplaces on a temporary basis	1.6	1.8
Disability	np	0.8
Performance	np	np
Skill level/experience	12.6	7.1
Full-time hours (incl. full-time equivalents)	np	2.5
Hours	np	1.1
Other types	25.0	16.0
No	4.9	18.2

Note: Businesses could provide multiple responses to this question; therefore the responses may not sum to 100.

Source: Award Reliance Survey 2013.

Businesses were also asked under what circumstances they would set the rate of pay of an award-reliant employee above the applicable award rate. The most common response among each of the business groups was to 'reward performance/achievement/effort in performing their role' (Table 3.28). However, this was relatively more common among businesses with up to half of their employees award reliant across each business size than for businesses with more than half of their employees award reliant.

For businesses with more than half of their employees award reliant, the next most common reason across each business size was 'if/when an employee takes on additional responsibilities/higher duties' in performing their role. 'If/when new or additional skills are acquired' and 'to retain good employees/reward loyalty' was relatively common among medium and large businesses with up to half of their employees award reliant.

Table 3.28: Progression off award rates of pay

Circumstance	Degree of award reliance	
	Up to half %	More than half %
Small		
If they negotiate a higher rate of pay (for performing the same role)	4.9	3.4
If their personal circumstances require them to have a higher pay	2.1	np
To reward performance/achievements/effort in performing their role	46.5	32.8
If/when employee takes on additional responsibilities/higher duties	18.9	20.5
To retain good employees/reward loyalty	15.4	16.6
If/when additional qualifications are gained	11.3	3.6
If/when new additional skills are acquired	16.7	9.6
When probationary period ends	2.8	np
After completion of apprenticeship/traineeship	10.8	np
If/when they have a senior role that is not covered in the award classification structure	1.0	2.1
If/when they change roles	3.5	5.7
Growth/profit/market conditions	10.9	11.1
Client/funding body stipulation	1.1	1.5
To attract staff	np	np
Other	np	np
None of the above	6.7	14.8
Medium		
If they negotiate a higher rate of pay (for performing the same role)	3.8	6.3
If their personal circumstances require them to have a higher pay	2.4	3.5
To reward performance/achievements/effort in performing their role	46.6	37.5
If/when employee takes on additional responsibilities/higher duties	17.9	24.3
To retain good employees/reward loyalty	21.8	20.8
If/when additional qualifications are gained	11.1	7.2
If/when new additional skills are acquired	23.4	12.8
When probationary period ends	7.1	np
After completion of apprenticeship/traineeship	5.6	0.0
If/when they have a senior role that is not covered in the award classification structure	2.5	5.8
If/when they change roles	10.1	11.7
Growth/profit/market conditions	2.4	3.2
Client/funding body stipulation	1.1	2.2
To attract staff	2.0	1.0
Other	np	0.9
None of the above	4.3	12.3
Large		
If they negotiate a higher rate of pay (for performing the same role)	6.0	7.0

Circumstance	Degree of award reliance	
	Up to half %	More than half %
If their personal circumstances require them to have a higher pay	2.6	np
To reward performance/achievements/effort in performing their role	42.1	31.5
If/when employee takes on additional responsibilities/higher duties	20.6	31.3
To retain good employees/reward loyalty	24.3	20.5
If/when additional qualifications are gained	13.5	5.8
If/when new additional skills are acquired	29.5	13.2
When probationary period ends	6.2	np
After completion of apprenticeship/traineeship	4.4	0.0
If/when they have a senior role that is not covered in the award classification structure	3.5	6.3
If/when they change roles	13.8	16.1
Growth/profit/market conditions	3.3	4.7
Client/funding body stipulation	2.2	8.1
To attract staff	4.4	1.4
Other	np	2.7
None of the above	4.6	8.3

Note: Businesses could provide multiple responses to this question; therefore the responses may not sum to 100.

Source: Award Reliance Survey 2013.

Businesses that paid above the award rate of pay were asked why they set those pay rates for their employees. The responses are presented separately for businesses with enterprise agreements and for those with employees on other above-award arrangements.

For small and medium businesses with employees on enterprise agreements, 'award terms and conditions not suitable or flexible enough' was a relatively common reason (Table 3.29). This was the second most common reason among large businesses, where the highest proportion of businesses paid above-award rates was due to 'historical reasons'. Another relatively common reason non award-reliant businesses paid above the award rate of pay was 'for payroll and/or rostering convenience'.

Table 3.29: Why businesses pay above-award rates, businesses with enterprise agreements

Reason	Degree of award reliance		
	None %	Up to half %	More than half %
Small			
Historical reasons	11.4	np	np
Prefer to negotiate directly with our employees	12.4	np	np
Want to reward employees with higher wage than award rates	10.3	0.0	np
Applicable award not competitive for attracting and retaining workers in our industry/sector	16.9	np	np
Applicable award not competitive for attracting and retaining workers in our local area	3.0	np	np
Award terms and conditions not suitable or flexible enough	21.5	20.6	np
For payroll and/or rostering convenience	19.8	1.2	np
Some employees/jobs performed are not covered by an award	11.7	np	np
Head office/franchisor requirement	10.2	np	np
Client/funding body requirement	8.4	np	np
Union negotiated agreement	7.7	np	np
Common industry practice/standard	4.9	np	np
Equity/fairness/transparency of wage-setting arrangements	5.0	0.0	np
Other	np	np	np
No particular reason	np	0.0	np
Medium			
Historical reasons	23.5	np	np
Prefer to negotiate directly with our employees	12.3	15.9	np
Want to reward employees with higher wage than award rates	10.5	np	np
Applicable award not competitive for attracting and retaining workers in our industry/sector	15.1	8.5	np
Applicable award not competitive for attracting and retaining workers in our local area	3.6	np	np
Award terms and conditions not suitable or flexible enough	22.3	31.3	np
For payroll and/or rostering convenience	17.6	20.5	np
Some employees/jobs performed are not covered by an award	1.3	np	np
Head office/franchisor requirement	5.2	np	np
Client/funding body requirement	8.5	14.2	np
Union negotiated agreement	15.0	8.3	np
Common industry practice/standard	9.5	np	np
Equity/fairness/transparency of wage-setting arrangements	5.2	8.3	np
Other	1.9	np	np
No particular reason	np	0.0	np

Reason	Degree of award reliance		
	None %	Up to half %	More than half %
Large			
Historical reasons	26.6	22.6	37.7
Prefer to negotiate directly with our employees	14.6	8.1	np
Want to reward employees with higher wage than award rates	9.2	14.8	np
Applicable award not competitive for attracting and retaining workers in our industry/sector	16.5	15.8	np
Applicable award not competitive for attracting and retaining workers in our local area	4.8	8.2	np
Award terms and conditions not suitable or flexible enough	22.1	21.1	21.5
For payroll and/or rostering convenience	16.3	16.1	np
Some employees/jobs performed are not covered by an award	2.3	np	np
Head office/franchisor requirement	2.8	np	np
Client/funding body requirement	8.7	15.9	np
Union negotiated agreement	15.2	18.1	17.8
Common industry practice/standard	7.0	3.1	np
Equity/fairness/transparency of wage-setting arrangements	4.9	7.8	np
Other	2.5	0.0	np
No particular reason	np	0.0	0.0

Note: Businesses could provide multiple responses to this question; therefore the responses may not sum to 100.

Source: Award Reliance Survey 2013.

For businesses without enterprise agreements, 'applicable award not competitive for attracting and retaining workers in our industry/sector' was the most common reason across all degrees of award reliance for medium and large businesses to pay above-award rates (Table 3.30). The next most common reason among medium and large businesses was that businesses 'want to reward employees with higher wages than award rates', except for larger non award-reliant businesses who also reported that the 'applicable award was not competitive for attracting and retaining workers in the local area'.

Among small businesses, a higher proportion of businesses with no award-reliant employees responded 'applicable award not competitive for attracting and retaining workers in our industry/sector' compared with businesses with award-reliant employees, who were relatively more likely to respond that they 'want to reward employees with higher wage than award rates'. Also relatively common among businesses with more than half of their employees award reliant was due to the 'skills/responsibilities/role' of the job.

Table 3.30: Why businesses pay above-award rates, businesses without enterprise agreements

Reason	Degree of award reliance		
	None %	Up to half %	More than half %
Small			
Historical reasons	3.1	3.0	4.0
Prefer to negotiate directly with our employees	6.6	11.3	6.7
Want to reward employees with higher wage than award rates	38.9	43.6	33.5
Applicable award not competitive for attracting and retaining workers in our industry/sector	47.4	37.3	20.3
Applicable award not competitive for attracting and retaining workers in our local area	17.0	16.4	5.7
Award terms and conditions not suitable or flexible enough	7.5	11.9	10.5
For payroll and/or rostering convenience	3.3	np	1.7
Some employees/jobs performed are not covered by an award	6.5	6.9	12.0
Head office/franchisor requirement	np	np	0.0
Client/funding body requirement	0.6	np	np
Skills/responsibilities/role	13.3	20.0	32.7
Other	2.2	0.3	1.9
No particular reason	2.2	1.4	np
Medium			
Historical reasons	4.4	2.0	2.3
Prefer to negotiate directly with our employees	6.2	5.6	5.1
Want to reward employees with higher wage than award rates	26.9	42.8	37.8
Applicable award not competitive for attracting and retaining workers in our industry/sector	67.6	56.0	40.3
Applicable award not competitive for attracting and retaining workers in our local area	24.6	21.6	11.7
Award terms and conditions not suitable or flexible enough	11.1	9.0	10.8
For payroll and/or rostering convenience	4.4	2.0	np
Some employees/jobs performed are not covered by an award	9.6	7.5	16.1
Head office/franchisor requirement	0.6	np	np
Client/funding body requirement	np	np	np
Skills/responsibilities/role	7.6	14.3	25.5
Other	1.3	0.7	np
No particular reason	0.8	0.5	1.4
Large			
Historical reasons	5.3	1.0	np
Prefer to negotiate directly with our employees	5.4	3.4	3.5
Want to reward employees with higher wage than award rates	20.2	31.1	30.2
Applicable award not competitive for attracting and retaining workers in our industry/sector	71.7	68.6	45.7

Reason	Degree of award reliance		
	None %	Up to half %	More than half %
Applicable award not competitive for attracting and retaining workers in our local area	26.5	29.1	11.9
Award terms and conditions not suitable or flexible enough	9.8	6.4	9.8
For payroll and/or rostering convenience	3.8	np	np
Some employees/jobs performed are not covered by an award	11.6	11.3	14.2
Head office/franchisor requirement	0.6	np	np
Client/funding body requirement	np	np	np
Skills/responsibilities/role	10.6	16.1	24.8
Other	1.9	np	np
No particular reason	0.3	0.1	np

Note: Businesses could provide multiple responses to this question; therefore the responses may not sum to 100.

Source: Award Reliance Survey 2013.

Award-reliant businesses with employees on above-award arrangements were asked if and why they passed on the Annual Wage Review 2011–12 increase of 2.9 per cent to these employees. Large and medium businesses were relatively more likely to pass on this increase than small businesses. Further, businesses with over half of their employees award reliant were relatively more likely to pass on this increase than businesses with up to half of their employees award reliant. (Table 3.31).

Table 3.31: Proportion of businesses that passed on 2011–12 minimum wage adjustment

Business size	Degree of award reliance	
	Up to half %	More than half %
Small	26.9	27.6
Medium	39.6	46.9
Large	47.1	49.4

Note: Excludes 'Don't know' and 'Refused'.

Source: Award Reliance Survey 2013.

Following on from the table above, the reasons that businesses passed on the minimum wage adjustment from the Annual Wage Review 2011–12 are provided in Table 3.32. The most common reason among all business sizes was 'to be consistent' to apply the same increase to all staff. The next most common reason for all business sizes was 'to maintain the difference between award-reliant employee wages and employees paid over-award rates'.

However, unlike other businesses, small businesses with up to half of their employees award reliant were relatively more likely to respond that they passed on the minimum wage adjustment 'to be consistent' to apply the same increase to all staff.

Among large businesses, businesses with more than half of their employees award reliant were also relatively more likely than large businesses with up to half of their employees award reliant to respond that they passed on the minimum wage adjustment 'to maintain the difference between award-reliant employee wages and employees paid over award rates' and due to 'performance/incentive/reward'.

Table 3.32: Reasons businesses passed on the 2011–12 minimum wage adjustment

Reason	Degree of award reliance	
	Up to half %	More than half %
Small		
To be consistent (same increase applied to all staff)	48.3	38.8
Convenience/coinclides with annual budgeting/easy to implement	3.4	7.9
To maintain the difference between award-reliant employee wages and employees paid over award rates	20.0	20.3
Had to – the increased award rates of pay were higher than the over award amounts we were paying	11.8	13.4
Performance/incentive/reward	9.3	11.5
To attract/retain staff	3.6	4.8
Other	3.7	1.5
Medium		
To be consistent (same increase applied to all staff)	32.6	42.0
Convenience/coinclides with annual budgeting/easy to implement	7.1	4.7
To maintain the difference between award-reliant employee wages and employees paid over award rates	29.0	30.9
Had to – the increased award rates of pay were higher than the over award amounts we were paying	11.2	13.1
Performance/incentive/reward	8.7	10.6
To attract/retain staff	6.2	5.5
Other	5.3	3.7
Large		
To be consistent (same increase applied to all staff)	26.4	31.9
Convenience/coinclides with annual budgeting/easy to implement	13.1	5.2
To maintain the difference between award-reliant employee wages and employees paid over award rates	18.8	30.1
Had to – the increased award rates of pay were higher than the over award amounts we were paying	16.2	6.2
Performance/incentive/reward	17.6	15.9
To attract/retain staff	16.8	7.9
Other	6.5	5.6

Note: Businesses could provide multiple responses to this question; therefore the responses may not sum to 100. Other includes 'asked for it/negotiated/existing agreement', 'follow advice – head office, industry body etc.', the law/thought we had to', 'to match inflation/CPI' and 'no particular reason'.

Source: Award Reliance Survey 2013.

3.4.3 Summary

This section found that, where there were differences between business groups, it was more evident between businesses when considered by degree of award reliance than by size.

Data from AWRS found that the main reason for businesses not to have enterprise agreements was that award rates and conditions are adequate. A relatively common reason for businesses with no award-reliant employees not to use enterprise agreements was that they prefer to negotiate with individual employees.

A higher proportion of businesses with more than half of their employees award reliant determined wage increases through annual adjustments, while the businesses with no award-reliant employees or with up to half of their employees award reliant were relatively more likely to use performance assessments. Larger businesses and businesses with award-reliant employees were also relatively more likely to have employees on junior rates set as a proportion of the applicable adult rate.

The Award Reliance Survey found that the most common reason for businesses with up to half of their employees award reliant to use awards was appropriate/fair remuneration, while businesses with more than half of their employees award reliant were relatively more likely to report affordability and that they did not want to pay more. Across most degrees of award reliance and business size, employees were paid award rates due to their particular role, job or occupation and the reason they could progress off award rates was to reward performance/ achievements/effort in performing their role. The most common reason for paying above-award rates for small and medium businesses was that award terms and conditions were not suitable or flexible enough; while for larger businesses it was relatively more likely to be due to historical reasons than other businesses. The most common reason across all business sizes and degrees of award reliance to pass on the Annual Wage Review 2011–12 minimum wage adjustment was to be consistent.

4 Business performance

This chapter provides an analysis of data from the AWRS on the performance of businesses by their degree of award reliance and business size, with size presented by small and larger businesses. Business performance indicators such as competition, demand, productivity, innovation, and responses to changes in business costs and future business intentions are considered. Many of these questions asked businesses to provide a subjective or qualitative response and this should be taken into account when analysing the data.

4.1 Competition

The nature of the market in which businesses operate is shown in Table 4.1. While most small businesses operated in the domestic market only, this was relatively more common among small businesses with more than half of their employees award reliant. A higher proportion of small businesses with no award-reliant employees or up to half of their employees award reliant operated in the domestic market with some exports.

Similarly, while most larger businesses also operated only in the domestic market, this was relatively more common among businesses with more than half of their employees award reliant. Businesses with no award-reliant employees or up to half of their employees award reliant were relatively more likely to operate in the domestic market with some exports.

Table 4.1: Nature of market

Market	Degree of award reliance		
	None %	Up to half %	More than half %
Small			
Domestic only	82.7	81.1	96.2
Domestic with some export	15.4	17.2	2.9
Export with some domestic	1.3	np	np
Export only	0.6	0.0	0.0
Larger			
Domestic only	77.2	80.7	89.2
Domestic with some export	20.2	17.6	9.2
Export with some domestic	2.1	1.7	np
Export only	0.5	0.0	np

Note: Excludes 'unsure' responses.

Source: AWRS 2014.

The market focus for small businesses with more than half of their employees award reliant was relatively more likely to be the immediate local area, while small businesses with no award-reliant employees or up to half of their employees award reliant were relatively more likely to focus Australia wide or intrastate (Table 4.2).

Among larger businesses, while there were lower proportions of businesses that focused on the immediate local area only compared with small businesses, businesses with more than half of their

employees award reliant were relatively more likely to focus on the immediate local area than businesses with no award-reliant employees or up to half of their employees award reliant. These businesses were also the least likely to focus on the interstate market compared with other business groups. Larger businesses with no award-reliant employees were relatively less likely to operate in the immediate local area only and relatively more likely to operate Australia wide.

Table 4.2: Market focus

Market	Degree of award reliance		
	None %	Up to half %	More than half %
Small			
Immediate local area only	40.0	46.9	77.5
Intrastate	22.1	20.1	10.3
Interstate	9.2	8.4	4.8
Australia wide	28.7	24.6	7.4
Other	0.0	0.0	0.0
Larger			
Immediate local area only	28.1	36.9	56.4
Intrastate	18.8	15.4	15.3
Interstate	13.0	12.2	5.0
Australia wide	39.9	35.4	23.3
Other	np	np	0.0

Note: Excludes 'unsure' responses.

Source: AWRS 2014.

During the last financial year (2012–13) businesses with no award-reliant employees and businesses with up to half of their employees award reliant were more likely to face competition from imports than businesses with more than half of their employees award reliant (Table 4.3). This was the case across both business sizes.

Table 4.3: Import competition

Business size	Degree of award reliance		
	None %	Up to half %	More than half %
Small	29.5	29.2	20.0
Larger	30.4	33.9	17.0

Note: Excludes 'unsure' responses.

Source: AWRS 2014.

Businesses were also asked to report the number of direct competitors faced in the same field of clients or customers for its major products and/or services during the last financial year.

Five to nine direct competitors was the most common response across most of the business groups except for small businesses with no award-reliant employees (Table 4.4). Businesses with up to half of their employees award reliant were relatively more likely to have 50 or more direct competitors than businesses with no or more than half of their employees award reliant. Larger businesses with more than half of their employees award reliant were also more likely to report 50 or more direct competitors than their small business counterparts.

Table 4.4: Number of direct competitors

Number	Degree of award reliance		
	None %	Up to half %	More than half %
Small			
1–4	23.2	14.9	24.7
5–9	22.7	26.9	26.6
10–19	18.6	16.6	19.9
20–49	12.4	13.4	12.2
50 or more	17.0	18.3	9.1
None/captive market/no effective competition	6.1	10.0	7.5
Larger			
1–4	18.6	19.0	22.7
5–9	22.6	23.8	23.1
10–19	20.0	19.0	21.6
20–49	15.1	12.7	10.2
50 or more	17.0	21.2	19.2
None/captive market/no effective competition	6.1	4.5	3.2

Note: Excludes 'unsure' responses.

Source: AWRS 2014.

Businesses were also asked to describe the degree of competition they faced for their major products and/or services during the last financial year. The highest proportion across all business sizes and degree of award reliance reported that competition was 'strong' (Table 4.5). The next most common response across each business group was 'intense' competition.

Among small businesses, businesses with award-reliant employees were more likely to report 'strong' or 'intense' competition, compared with businesses with no award-reliant employees. Among larger businesses, competition was considered to be 'strong' for a higher proportion of businesses with no award-reliant employees and businesses with up to half of their employees award reliant than businesses with more than half of their employees award reliant.

Table 4.5: Degree of competition

Degree	Small businesses Degree of award reliance			Larger businesses Degree of award reliance		
	None %	Up to half %	More than half %	None %	Up to half %	More than half %
Intense	28.7	29.4	29.8	31.6	32.0	32.2
Strong	39.7	45.9	44.9	46.3	46.2	44.3
Moderate	24.6	18.3	18.2	16.3	19.4	18.8
Limited	7.0	6.4	7.1	5.8	2.4	4.7

Note: Excludes 'unsure' responses.

Source: AWRS 2014.

Businesses were asked to consider the predictability of demand for their major products and/or services in the last financial year. Trends observed were similar by degree of award reliance and business size, with all business groups more likely to report demand being 'somewhat predictable' (Table 4.6). The next most common reason among all business groups was that demand was 'somewhat unpredictable'.

Among small businesses, those with no award-reliant employees or more than half of their employees award reliant were relatively more likely to report that demand was 'somewhat predictable' than businesses with up to half of their employees award reliant, who were more likely to report demand as being 'somewhat unpredictable'.

In contrast, larger businesses with up to half of their employees award reliant were relatively more likely to report that demand was 'somewhat predictable'. Larger businesses with no award-reliant employees were relatively more likely to report demand as 'somewhat unpredictable' rather than businesses with award-reliant employees.

Table 4.6: Predictability of demand

Degree	Small businesses Degree of award reliance			Larger businesses Degree of award reliance		
	None %	Up to half %	More than half %	None %	Up to half %	More than half %
Very predictable	9.5	11.3	15.5	12.1	9.1	11.3
Somewhat predictable	51.6	43.7	51.3	47.8	58.4	53.1
Somewhat unpredictable	29.9	36.3	22.9	30.8	25.2	27.6
Very unpredictable	9.0	8.6	10.3	9.4	7.3	8.0

Note: Excludes 'unsure' responses.

Source: AWRS 2014.

Businesses were also asked to consider whether demand for their major products and/or services was seasonal. The data showed that, regardless of business size, businesses with award-reliant employees were relatively more likely to experience seasonal demand for their major products and/or services. This was particularly the case for businesses with more than half of their employees award reliant (Table 4.7).

Table 4.7: Seasonal demand

Business size	Degree of award reliance		
	None %	Up to half %	More than half %
Small	43.4	45.9	60.7
Larger	41.7	46.1	59.1

Note: Excludes 'unsure' responses.

Source: AWRS 2014.

4.1.1 Summary

This section showed that there was greater similarity with regards to competition between businesses with no award-reliant employees and up to half of their employees award reliant. There was also some difference between business sizes in relation to the markets in which businesses operate. The data showed that the market for small businesses and businesses with more than half of their employees award reliant was relatively more likely to be domestic only and operating in the immediate local area compared with other businesses types.

The degree of competition and predictability of demand did not vary significantly by business size or degree of award reliance, with most businesses reporting 'strong' competition for their products and/or services and demand is considered to be 'somewhat predictable'.

However, seasonal demand and the number of direct competitors faced by a business differed by degree of award reliance. Small and larger businesses with award-reliant employees were more likely to report between five and nine direct competitors than businesses with no award-reliant employees. While small businesses with award-reliant employees were more likely to report between one and nine direct competitors, their larger counterparts were more likely to report a higher number of direct competitors of between five and nineteen. Further, businesses with award-reliant employees were more likely to experience seasonal demand than businesses with no award-reliant employees.

4.2 Business attributes and innovation

Businesses were asked the importance of particular attributes as being the most crucial for the success of their major product/service. The most common attributes considered important by both small and larger businesses were 'providing a unique product or service for which there is a demand', 'quality of the workforce' and 'price' (Table 4.8). However, their relative importance differed by business size and degree of award reliance.

Small and larger businesses with no award-reliant employees were relatively more likely to report 'providing a unique product or service for which there is a demand' as most important, as were small businesses with up to half of their employees award reliant. However, larger businesses with

up to half of employees award reliant indicated 'price' to be the most important business attribute. Further, while small businesses with more than half of their employees award reliant indicated 'quality of the workforce' as being the most important attribute, larger businesses with more than half of their employees award reliant reported 'providing a unique product or service for which there is demand', as most important.

Table 4.8: Important business attributes

Attribute	Degree of award reliance		
	None %	Up to half %	More than half %
Small			
Price (pricing products/services)	24.5	20.9	17.0
Quality of the workforce (quality of the products/services generated by the workforce)	29.2	24.0	34.8
Providing a unique product or service for which there is a demand	34.0	36.2	24.2
Location	5.0	9.0	12.7
Operating costs (reducing or controlling costs)	6.8	9.9	11.1
Other	1.8	np	np
Larger			
Price (pricing products/services)	22.0	31.2	21.8
Quality of the workforce (quality of the products/services generated by the workforce)	30.5	26.8	25.1
Providing a unique product or service for which there is a demand	32.9	26.8	29.8
Location	5.3	7.9	12.3
Operating costs (reducing or controlling costs)	9.1	6.9	11.0
Other	0.9	np	0.0

Note: Excludes 'unsure' responses. Businesses could provide multiple responses to this question; therefore the responses may not sum to 100.

Source: AWRS 2014.

In considering their business performance, businesses were asked a series of questions related to innovation which encompassed changes to goods or services, operational processes and management practices. The data found that across the degrees of award reliance, small and larger businesses were more likely to introduce or significantly improve operational processes or management practices rather than goods or services (Table 4.9).

Among small businesses, those with no award-reliant employees and those with more than half of their employees award reliant were more likely to introduce or improve operational processes, while almost half of small businesses with up to half of their employees award reliant reported introducing or improving management practices during the last financial year.

A higher proportion of larger businesses reported introducing or significantly improving each of goods or services, operational processes or management practices than small businesses in the

last financial year across all degrees of award reliance. The difference was particularly notable among businesses with more than half of their employees award reliant, where around 55 per cent of larger businesses reported introducing or significantly improving management practices, compared with 36 per cent of small businesses.

Table 4.9: Introduction or improvement to business products/services

Attribute	Small businesses Degree of award reliance			Larger businesses Degree of award reliance		
	None	Up to half	More than half	None	Up to half	More than half
	%	%	%	%	%	%
Goods or services	38.5	37.6	37.6	43.1	42.3	45.5
Operational processes	47.2	46.9	42.8	58.9	51.6	56.2
Management practices	44.1	48.9	36.0	57.6	53.8	55.8

Note: Excludes 'don't know' responses. Businesses could provide multiple responses to this question; therefore the responses may not sum to 100.

Source: AWRS 2014.

In regards to abandoning the development or delaying the implementation of any new or significantly improved business products and/or services, most small and larger businesses were relatively more likely to report abandoning or delaying changes to 'goods or services' in the last financial year (Table 4.10). However, small businesses with no award-reliant employees were more likely to abandon or delay changes made to 'operational processes' rather than 'goods or services'.

Compared with small businesses, larger businesses with award-reliant employees were less likely to abandon or delay any changes to goods and/or services.

Table 4.10: Abandoned or delayed changes to business products/services

Attribute	Small businesses Degree of award reliance			Larger businesses Degree of award reliance		
	None	Up to half	More than half	None	Up to half	More than half
	%	%	%	%	%	%
Goods or services	14.1	26.8	16.9	15.6	12.6	12.2
Operational processes	14.7	20.9	11.2	14.4	12.5	11.2
Management practices	9.6	18.2	7.2	10.8	7.0	3.6

Note: Excludes 'don't know' responses. Businesses could provide multiple responses to this question; therefore the responses may not sum to 100.

Source: AWRS 2014.

In responding to factors that may have affected their business performance, both small and larger businesses were relatively more likely to report that they had not experienced any events or factors that had significantly hampered the performance of their business during the last financial year. However there were some differences reported by degree of award reliance and business size

(Table 4.11). Among small businesses, those with no award-reliant employees were relatively more likely to report no difficulties compared with businesses with award-reliant employees. A majority of all larger business groups were relatively more likely to report no business difficulties compared with small businesses.

Of those businesses that reported experiencing business difficulties, the most common factors cited were 'lower price received due to market forces', 'environmental factors' and 'government regulations or compliance'. Both small and larger businesses with no award-reliant employees and those with up to half of their employees award reliant were more likely to indicate 'lower price received due to market forces' as a factor. However, difficulties experienced by businesses with more than half of their employees award reliant varied by business size, with small businesses more likely than larger businesses to indicate 'environmental factors'.

Table 4.11: Business difficulties

Difficulty	Degree of award reliance		
	None %	Up to half %	More than half %
Small			
None	53.5	45.1	44.0
Lack of customer demand for goods or services	4.4	5.6	4.4
Government regulations or compliance	7.4	9.2	13.2
Lower price received due to market forces	12.9	16.0	7.6
Environmental factors such as weather conditions or natural disasters	5.8	10.7	13.5
Election/change of government	4.4	8.5	np
New/more competition	4.2	6.0	7.5
Change at site/location (renovation, relocation, restructuring)	2.9	3.2	4.6
Supply issues	0.8	np	0.0
Other	8.5	5.7	6.7
Larger			
None	53.8	55.5	51.9
Lack of customer demand for goods or services	4.3	3.9	1.8
Government regulations or compliance	9.4	9.7	11.6
Lower price received due to market forces	13.7	14.7	6.8
Environmental factors such as weather conditions or natural disasters	7.1	10.7	9.8
Election/change of government	2.2	4.1	np
New/more competition	3.7	np	6.4
Change at site/location (renovation, relocation, restructuring)	1.8	2.8	2.0
Supply issues	1.0	np	np
Other	7.6	4.1	9.7

Note: Excludes 'don't know' responses. Businesses could provide multiple responses to this question; therefore the responses may not sum to 100.

Source: AWRS 2014.

4.2.1 Summary

This section showed that a number of business characteristics related to performance such as important business attributes, difficulties experienced and innovation were not associated with degree of award reliance or business size. For example, all business groups were more likely to introduce or significantly improve operational processes or management practices, rather than goods or services. In addition, all business groups reported that they had not experienced any events or factors that had significantly hampered the performance of their business in the last financial year.

While the most common attributes considered important by both small and larger businesses were providing a unique product or service for which there is a demand, quality of the workforce and price, the relative importance of these attributes differed by business size and degree of award reliance. The findings for small businesses with no award-reliant employees and small businesses with up to half of their employees award reliant were relatively similar compared with small businesses with more than half of their employees award reliant. However, larger businesses with no award-reliant employees and larger businesses with more than half of their employees award reliant were more likely to report the same relative importance among factors related to business attributes.

4.3 Productivity

As another measure of performance, businesses were also asked to describe changes in the level of productivity at the workplace. Businesses were asked *'compared to the previous financial year, would you generally describe the productivity of the workforce over the last financial year as being...?'* The responses to this question are outlined in Table 4.12. This measure of productivity is subjective and a major shortcoming of subjective measures is that firms may interpret and measure the given indicator differently.²³

All business groups were more likely to report that the productivity of their workforce was about the same compared with the previous financial year. Trends observed by degree of award reliance were broadly similar across business size.

Small and larger businesses with no award-reliant employees, as well as businesses with up to half of their employees award reliant, were relatively more likely to report an increase in productivity, while small and larger businesses with more than half of their employees award reliant were relatively more likely to report that productivity of their workforce was about the same. However, small businesses with more than half of their employees award reliant were also relatively more likely to report a decrease in the productivity of their workforce compared with their larger counterparts.

²³ For further information on the limitations of using available Australian micro data on productivity, see Farmakis-Gamboni S and Yuen K (2011), [An overview of productivity, business competitiveness and viability](#), Research Report 1/2011, Fair Work Australia.

Table 4.12: Productivity comparison with previous financial year

Comparison	Small businesses			Larger businesses		
	Degree of award reliance			Degree of award reliance		
	None %	Up to half %	More than half %	None %	Up to half %	More than half %
A lot higher	10.4	6.8	8.0	10.3	9.4	7.6
A little higher	33.1	36.3	22.7	34.9	33.2	33.2
About the same	41.2	42.7	48.9	41.2	41.8	46.1
A little lower	11.2	10.3	15.2	9.7	12.8	11.0
A lot lower	4.1	4.0	5.3	3.9	2.8	2.1

Note: Excludes 'don't know' responses and businesses that did not operate in the previous financial year.

Source: AWRS 2014.

Businesses that reported that the productivity of their workforce was 'a lot higher' or 'a little higher' compared with the previous financial year were asked to outline the reasons that may have contributed to the increase in productivity. This reflected around 40 per cent of respondents.

There are many determinants of productivity and it is difficult to isolate one factor that is considered to either increase or decrease the productivity of the workforce.²⁴ As mentioned earlier, responses regarding any changes in the level of productivity at the workplace are subjective and the reasons reported may not be the sole determinant of a change in the productivity of their workforce, as productivity may be determined by a number of factors.

The most common reasons for higher productivity reported among both small and larger businesses were 'improved skills of existing staff through training', 'greater effort from workforce/higher work intensification' and 'use of more efficient work techniques and processes' (Table 4.13). For businesses with no award-reliant employees, the proportion of businesses that reported these three reasons did not differ by size. However, larger businesses with up to half of their employees award reliant were more likely to report 'greater effort from workforce/higher work intensification', while larger businesses with more than half of their employees award reliant were more likely to indicate 'improved skills of existing staff through training' compared with their small business counterparts.

²⁴ For further information on the determinants of productivity, see Farmakis-Gamboni S and Yuen K (2011), [An overview of productivity, business competitiveness and viability](#), Research Report 1/2011, Fair Work Australia.

Table 4.13: Reasons for higher productivity

Reason	Degree of award reliance		
	None %	Up to half %	More than half %
Small			
Improved skills of existing staff through training	79.2	88.3	81.2
Hired new staff with higher skills	46.3	49.3	57.5
Use of more efficient equipment	47.6	53.1	40.4
Use of more efficient work techniques and processes	77.9	73.4	75.9
Greater effort from workforce/higher work intensification	79.0	83.4	81.4
Introduction of improved workforce management practices or employment conditions	50.8	51.0	62.2
Reduced or abandoned operations that were unproductive or unprofitable	35.0	40.0	37.7
Outsourcing operations and tasks	23.0	10.1	12.4
Reductions to the workforce	23.9	33.2	30.1
Reductions to red tape and regulation	7.5	np	np
Workplace relations laws (Fair Work Act or modern awards)	8.9	8.4	16.4
Used new or different measures of productivity	26.2	38.5	23.9
Use of improved products or services supplied to the business/organisation	46.1	51.1	40.7
Other	5.7	np	np
Larger			
Improved skills of existing staff through training	85.1	86.2	91.1
Hired new staff higher skills	63.9	49.0	53.1
Use of more efficient equipment	52.8	58.0	58.8
Use of more efficient work techniques and processes	83.0	75.8	78.0
Greater effort from workforce/higher work intensification	83.9	89.7	82.1
Introduction of improved workforce management practices or employment conditions	66.1	58.0	71.5
Reduced or abandoned operations that were unproductive or unprofitable	34.4	40.3	49.7
Outsourcing operations and tasks	19.7	18.2	16.9
Reductions to the workforce	28.8	29.3	32.5
Reductions to red tape and regulations	14.7	9.5	15.6
Workplace relations laws (Fair Work Act or modern awards)	13.4	14.3	18.6
Used new or different measures of productivity	36.8	36.3	33.8
Use of improved products or services supplied to the business/organisation	45.2	47.2	52.0
Other	3.0	np	3.7

Note: Excludes 'don't know' responses. Businesses could provide multiple responses to this question; therefore the responses may not sum to 100.

Source: AWRS 2014.

Businesses that reported that the productivity of their workforce was 'a little lower' or 'a lot lower' compared with the previous financial year were also asked to outline the reasons that may have contributed to the decrease in productivity. This reflected around 15 per cent of respondents.

The most common reason reported among small and larger businesses for a decrease in productivity was 'lower work intensification of staff/less effort from workforce' (Table 4.14). Other factors varied by business size and degree of award reliance.

Compared with small businesses, a relatively high proportion of larger businesses with no award-reliant employees and with up to half of their employees award reliant also reported 'loss of high skilled staff' as a factor contributing to a decrease in productivity. A higher proportion of larger businesses with more than half of their employees award reliant reported 'inefficient work techniques and processes' compared with small businesses, while a higher proportion of small businesses with more than half of their employees award reliant reported 'increased red tape and regulations'. 'Increased red tape and regulations' was also more likely to be reported among other larger business groups. Further, 'inefficient workforce management practices or employment conditions' was considered to be a relatively common reason for decreased productivity among small businesses with up to half of their employees award reliant.

Table 4.14: Reasons for lower productivity

Difficulty	Degree of award reliance		
	None %	Up to half %	More than half %
Small			
Lower work intensification of staff/less effort from workforce	53.5	60.6	72.8
Loss of high skilled staff	25.5	25.4	46.8
Inefficient work techniques and processes	32.9	np	27.9
Inefficient or unreliable equipment	11.5	0.0	19.2
Inefficient workforce management practices or employment conditions	27.7	44.9	21.1
Increased red tape and regulations	29.1	42.0	46.6
Workplace relations laws (Fair Work Act or modern awards)	13.8	36.1	20.5
Used new or different measures of productivity	5.1	np	18.4
Problems with products or services supplied to the business/organisation	16.8	np	37.4
Shortage of skilled/suitable staff	3.7	0.0	np
Decrease in market demand	11.9	0.0	np
Other	9.5	np	np
Larger			
Lower work intensification of staff/less effort from workforce	72.4	65.6	73.9
Loss of high skilled staff	36.9	46.0	46.5
Inefficient work techniques and processes	24.3	42.2	40.9
Inefficient or unreliable equipment	7.2	np	13.2
Inefficient workforce management practices or employment conditions	28.2	38.4	21.5
Increased red tape and regulations	41.3	45.8	38.7
Workplace relations laws (Fair Work Act or modern awards)	22.2	27.9	31.0
Used new or different measures of productivity	11.6	np	12.8
Problems with products or services supplied to the business/organisation	18.9	36.7	23.6
Shortage of skilled/suitable staff	np	0.0	np
Decrease in market demand	7.0	np	np
Other	9.7	np	np

Note: Excludes 'don't know' responses. Businesses could provide multiple responses to this question; therefore the responses may not sum to 100. Businesses reporting that the productivity of their workforce was 'a little lower' or 'a lot lower' reflected around 15 per cent of respondents.

Source: AWRS 2014.

4.3.1 Summary

The data in this section showed that, based on subjective measures of productivity, all business groups were more likely to report that the productivity of their workforce had remained the same compared with the previous financial year.

However, when responses of 'a lot higher' and 'a little higher' were aggregated, the data showed some variation by degree of award reliance. An increase in productivity was more commonly reported among small and larger businesses with no award-reliant employees, as well as businesses with up to half of their employees award reliant, while small and larger businesses with more than half of their employees award reliant were more likely to report the productivity of their workforce was about the same.

The most common reasons reported for an increase in productivity among small and larger businesses were 'improved skills of existing staff through training', 'greater effort from workforce/higher work intensification' and 'use of more efficient work techniques and processes'.

The most common reason reported among small and larger businesses for a decrease in productivity was 'lower work intensification of staff/less effort from workforce'. However, additional reasons reported for a decrease in productivity varied by business size and degree of award reliance.

4.4 Costs

Businesses were asked a range of hypothetical questions in relation to changes in labour costs in the short and long term.

Businesses were first asked how they would respond to a substantial increase in labour costs if demand for their major products and/or services had not changed (Table 4.15). The four most common reasons were consistent across each business group. The most common response among award-reliant small businesses was to 'implement strategies to manage or reduce wage bill' and for non award-reliant small businesses it was to 'increase revenue'.

Compared with small businesses, larger businesses with no award-reliant employees and businesses with up to half of their employees award reliant were more likely to 'implement strategies to manage or reduce their wage bill' rather than 'increase revenue', whereas larger businesses with more than half of their employees award reliant were more likely to 'increase revenue' rather than 'implement strategies to manage or reduce their wage bill'.

Table 4.15: Potential short-term responses to a substantial increase in labour costs

Response	Degree of award reliance		
	None %	Up to half %	More than half %
Small			
Absorb entire increase in labour costs as reduced profit without taking any mitigating action	36.7	33.8	30.6
Increase efficiency of work techniques and processes, including via new equipment	62.0	64.3	56.2
Source cheaper supplies, services, utilities etc.	56.9	60.8	54.9
Run down inventories	31.8	41.5	38.8
Seek debt or equity finance	20.7	27.0	15.1
Increase revenue (e.g. adjust prices, seek additional customers etc.)	69.6	64.0	68.7
Cease unprofitable operations or close facilities	43.0	47.1	44.8
Reduce number of contractors or labour hire staff	40.7	44.8	41.7
Outsource operations and tasks	27.2	25.4	15.9
Implement strategies to manage or reduce wage bill	66.6	68.3	69.4
Other	6.0	3.7	4.3
Larger			
Absorb entire increase in labour costs as reduced profit without taking any mitigating action	31.3	22.2	22.9
Increase efficiency of work techniques and processes, including via new equipment	68.4	69.6	75.3
Source cheaper supplies, services, utilities etc.	61.1	64.6	66.2
Run down inventories	36.5	43.9	44.2
Seek debt or equity finance	20.4	17.4	22.9
Increase revenue (e.g. adjust prices, seek additional customers etc.)	69.6	79.0	78.3
Cease unprofitable operations or close facilities	51.6	61.1	52.0
Reduce number of contractors or labour hire staff	49.5	53.2	43.0
Outsource operations and tasks	35.7	32.0	23.7
Implement strategies to manage or reduce wage bill	73.4	82.6	76.7
Other	7.3	7.5	6.0

Note: Businesses could provide multiple responses to this question; therefore the responses may not sum to 100.

Source: AWRS 2014.

Businesses that responded that they would 'implement strategies to manage or reduce wage bill' as a short-term response to a substantial increase in labour costs were also asked to describe their potential short-term wage bill strategies. This reflected around 70 per cent of small businesses and 75 per cent of larger businesses.

Most small and larger business groups commonly reported reducing the hours of casual staff and the number of employees via attrition as a potential short-term strategy to manage or reduce their wage bill. However, small businesses were more likely to increase the number of hours worked by proprietors/owners, while larger businesses were more likely to reduce overtime (Table 4.16).

Table 4.16: Potential short-term wage bill management strategies

Response	Degree of award reliance		
	None %	Up to half %	More than half %
Small			
Reduce number of employees via attrition	65.6	66.0	63.1
Reduce number of employees through redundancies	46.3	43.3	35.5
Reduce overtime	53.3	54.6	50.7
Reduce number or length of shifts	40.2	46.7	54.3
Reduce hours of casual staff	55.0	66.0	71.8
More hours worked by salaried staff	51.8	45.9	49.1
More hours worked by proprietors/owners	66.0	69.4	69.3
More hours worked by family members or volunteers	31.1	39.7	39.1
Other	6.0	3.7	4.3
Larger			
Reduce number of employees via attrition	77.4	83.3	63.2
Reduce number of employees through redundancies	57.8	57.4	38.4
Reduce overtime	59.7	79.9	64.9
Reduce number or length of shifts	41.3	48.6	59.4
Reduce hours of casual staff	63.2	78.7	77.0
More hours worked by salaried staff	50.8	51.3	55.5
More hours worked by proprietors/owners	39.9	44.6	51.9
More hours worked by family members or volunteers	17.5	21.7	27.3
Other	7.3	7.5	6.0

Note: Businesses could provide multiple responses to this question; therefore the responses may not sum to 100.

Source: AWRS 2014.

Businesses also reported their potential longer-term strategy or response to a substantial increase in labour costs, if demand for their major products and/or services had not changed. In the long term, the most common responses to a substantial increase in labour costs reported by both small and larger businesses was to 'increase profitability/efficiencies', 'reduce workforce/hours' and 'adjust pricing model'. There was relatively little difference between the responses reported among small and larger businesses by degree of award reliance (Table 4.17).

Table 4.17: Potential longer-term responses to a substantial increase in labour costs

Response	Degree of award reliance		
	None %	Up to half %	More than half %
Small			
Adjust pricing model	21.8	14.5	20.9
Cease operations	7.3	7.4	15.1
Increase profitability/efficiencies	37.1	34.3	33.7
Lower pay rates/benefits/change employment status	4.4	np	3.2
Outsource	4.7	4.1	np
Reduce workforce/hours	26.7	30.3	23.0
Hire/only retain cheaper/younger/less experienced staff	4.3	5.8	3.9
Streamline/rationalise technology/automation	6.3	8.4	4.2
Other	11.0	7.6	13.1
None	1.4	np	np
Larger			
Adjust pricing model	18.1	17.0	17.2
Cease operations	6.4	7.2	7.7
Increase profitability/efficiencies	46.3	45.3	42.9
Lower pay rates/benefits/change employment status	5.9	5.7	7.1
Outsource	8.1	4.1	2.8
Reduce workforce/hours	24.4	26.5	29.0
Hire/only retain cheaper/younger/less experienced staff	3.5	3.6	4.9
Streamline/rationalise technology/automation	9.0	11.0	6.2
Other	10.9	7.9	13.1
None	1.2	np	np

Note: Excludes 'don't know' responses. Businesses could provide multiple responses to this question; therefore the responses may not sum to 100.

Source: AWRS 2014.

A majority of small businesses intended to maintain business operations in Australia during the next 12 months. Small businesses with more than half of their employees award reliant were relatively more likely to maintain business operations than other business groups (Table 4.18).

In contrast with small businesses, a majority of larger businesses with no award-reliant employees reported intentions to expand business operations within the next 12 months compared with larger businesses with award-reliant employees, who were relatively more likely to maintain business operations. Businesses with more than half of their employees award reliant were the least likely to report an intention to expand business operations across both business sizes.

Table 4.18: Business intentions, next 12 months

Intention	Small businesses Degree of award reliance			Larger businesses Degree of award reliance		
	None %	Up to half %	More than half %	None %	Up to half %	More than half %
Expand	46.1	44.4	31.5	51.1	45.0	43.2
Contract	2.2	3.8	np	4.1	3.8	4.1
Maintain	51.8	51.9	66.7	44.8	51.3	52.7

Note: Excludes 'unsure' responses.

Source: AWRS 2014.

4.4.1 Summary

This section showed that responses to an increase in labour costs were likely to vary by business size, with variation in degree of award reliance more marked among small businesses.

The data showed that common potential short-term responses to a substantial increase in labour costs reported among all business types was to 'increase revenue', 'implement strategies to manage or reduce wage bill' and 'increase efficiency of work techniques and processes'.

Of those businesses that responded to implementing strategies to manage or reduce their wage bill, the short-term strategies identified varied by business size. Small businesses were more likely to increase the number of hours worked by proprietors/owners, while larger businesses were more likely to reduce overtime.

Common potential longer-term responses to a substantial increase in labour costs reported by both business sizes were to 'adjust the pricing model', 'increase profitability/efficiencies' and 'reduce workforce/hours'. Although responses reported among small and larger businesses did not differ by degree of award reliance, larger businesses were more likely to report 'increase profitability/efficiencies'. Further, while a majority of small businesses intended to maintain business operations in Australia during the next 12 months, a majority of larger businesses with no award-reliant employees expected business operations to expand within the next 12 months. A majority of larger businesses with award-reliant employees reported the intention to maintain business operations over the same period.

4.5 Income and expenses

This section discusses some of the financial information collected in the AWRS on profitability, income, wages and other expenses.

Businesses were asked whether a number of financial performance indicators had changed in the last financial year compared with the previous financial year. Two of these indicators are presented in Tables 4.19 and 4.20.

A higher proportion of small businesses with up to half of their employees award reliant increased their profitability in the last financial year (2012–13) compared with the previous financial year (2011–12) than other business groups. Conversely, a higher proportion of small businesses with no

award-reliant employees and businesses with more than half of their employees award reliant decreased profitability in the last financial year compared with the previous financial year (Table 4.19).

Similar trends were observed for larger businesses, where a higher proportion of larger businesses with up to half of their employees award reliant increased their profitability last financial year compared with other larger businesses. A higher proportion of larger businesses with no award-reliant employees reported decreased profitability in the last financial year compared with the previous year, while over half of larger businesses with more than half of their employees award reliant reported decreased profitability in the last financial year.

Businesses with more than half of their employees award reliant were relatively more likely to report that profitability remained the same across both business sizes.

Table 4.19: Profitability

Comparison	Small businesses			Larger businesses		
	Degree of award reliance			Degree of award reliance		
	None	Up to half	More than half	None	Up to half	More than half
	%	%	%	%	%	%
Increased	36.8	39.9	31.2	40.2	44.3	29.4
Decreased	45.8	38.4	46.7	44.8	41.4	52.4
Remained the same	16.3	18.8	22.1	14.3	12.9	18.2
Did not operate in previous year	1.0	np	0.0	np	np	0.0

Note: Excludes 'don't know' and 'not applicable' responses.

Source: AWRS 2014.

Expenditure on wages and salaries increased for most businesses across all degrees of award reliance in the last financial year compared with the previous financial year. Expenditure on wages and salaries increased for a higher proportion of larger businesses than smaller businesses across all degrees of award reliance, while expenditure among small businesses was relatively more likely to have remained the same.

The highest proportion reporting an increase in expenditure among small businesses was for businesses with more than half of their employees award reliant (70.4 per cent), while for larger businesses it was businesses with up to half of their employees award reliant. Small businesses with up to half of their employees award reliant had the highest proportion of respondents where expenditure on wages and salaries remained the same (25.0 per cent) which was greater than for larger businesses with up to half of their employees award reliant (Table 4.20).

Table 4.20: Expenditure on wages and salaries

Comparison	Small businesses			Larger businesses		
	Degree of award reliance			Degree of award reliance		
	None %	Up to half %	More than half %	None %	Up to half %	More than half %
Increased	64.8	56.7	70.4	70.8	81.4	73.1
Decreased	19.2	15.4	14.5	18.6	13.0	14.6
Remained the same	14.9	25.0	15.1	10.0	4.3	12.3
Did not operate in previous year	1.0	np	0.0	np	np	0.0

Note: Excludes 'don't know' and 'not applicable' responses.

Source: AWRS 2014.

The average total income to wage expenses ratio was generally higher for small businesses, except for business groups with up to half of their employees award reliant (Table 4.21). Small businesses with no award-reliant employees had the highest income to wages ratio among all businesses. Among larger businesses, those with up to half of their employees award reliant had the highest ratio, while the ratio was lowest for larger businesses with more than half of their employees award reliant.

Table 4.21: Average income to wage expenses ratio

Business size	Degree of award reliance		
	None (ratio)	Up to half (ratio)	More than half (ratio)
Small	8.6	5.8	7.1
Larger	5.2	6.1	4.7

Source: AWRS 2014.

Other labour costs comprised less than 15 per cent of total labour expenses on average across all business groups (Table 4.22). Larger businesses had a higher proportion of other labour costs to total labour expenses compared with small businesses across all degrees of award reliance.

The proportion of other labour costs to total labour costs was lower across small and larger businesses with more than half of their employees award reliant than other business groups.

Table 4.22: Other labour costs as a proportion of total labour expenses

Business size	Degree of award reliance		
	None %	Up to half %	More than half %
Small	14.1	13.4	10.9
Larger	14.5	14.5	12.4

Note: Other labour costs include employer contributions into superannuation, workers compensation, fringe benefits tax, payroll tax, payments to other businesses/organisations (i.e. employment agencies or labour hire firms) and salary sacrificed earnings paid on behalf of employees.

Source: AWRS 2014.

The proportion of wages to total expenses was higher for larger businesses than for small businesses (Table 4.23). Among small businesses, the proportion decreased as the degree of award reliance increased. However, among larger businesses the proportion of wages to total expenses was lowest for businesses with up to half of their employees award reliant.

Table 4.23: Wages as a proportion of total expenses

Business size	Degree of award reliance		
	None %	Up to half %	More than half %
Small	31.6	29.9	28.1
Larger	36.3	30.8	36.7

Note: Excludes 'don't know' and 'missing in error' responses.

Source: AWRS 2014.

Training expenses accounted for a relatively low proportion of total expenses across all business sizes and degrees of award reliance. Training expenses comprised a higher proportion of total expenses for small businesses than for larger businesses (Table 4.24). Training expenses also comprised a higher proportion of total expenses for businesses with no award-reliant employees than for businesses with award-reliant employees.

Table 4.24: Training expenses as a proportion of total expenses

Business size	Degree of award reliance		
	None %	Up to half %	More than half %
Small	1.0	0.8	0.8
Large	0.6	0.5	0.5

Source: AWRS 2014.

4.5.1 Summary

This section has shown that some changes in income and expenses differed by degree of award reliance and others by business size. A higher proportion of larger businesses than smaller businesses reported lower profitability and higher expenditure on wages and salaries in the last financial year compared with the previous financial year. The ratio of income to wages was higher for small businesses compared with larger businesses, while wages as a proportion of total expenses was higher among larger businesses. Other labour costs comprised the lowest proportion of total labour expenses for businesses with more than half of their employees award reliant, while training expenses were higher as a proportion of total expenses among small businesses and business with no award-reliant employees.

5 Characteristics of employees

This chapter provides an analysis of the characteristics of employees by analysing responses from both businesses and employees. This can only be done using a linked employer-employee dataset such as the AWRS, which allows for an analysis of employees within the business.

This chapter is divided into two parts:

- section 5.1 outlines the characteristics of employees from the perspective of businesses. It is answered by employers and describes all their employees, hence it is a full count of employees for each business. Therefore, employees are fully representative of the business that they are employed in; and
- section 5.2 links employees to their businesses and outlines additional characteristics of employees from the survey answered by employees. Only a proportion of employees from each business were asked to respond to this survey²⁵; therefore employees are not representative of the business that they are employed in.²⁶ While employees in this section are not representative of the businesses in which they work, they are representative of all employees in Australia.

5.1 Characteristics of employees within firms

Data from this section are taken from the Workforce profile survey, for which questions were asked of businesses regarding their workforce as of February 2014.

Table 5.1 shows that businesses with no award-reliant employees employed the largest number of employees across both business sizes. Larger businesses with no award-reliant employees employed the highest number of employees (4 508 430), followed by small businesses with no award-reliant employees. For award-reliant businesses, larger businesses with up to half of their employees award reliant had the highest number of employees (1 134 099) followed by larger businesses with more than half of their employees award reliant (1 131 719).

The proportion of employees in small businesses with more than half of their employees award reliant was relatively higher than the proportion of employees in larger businesses with more than half of their employees award reliant.

²⁵ While all employees from enterprises with 21 or fewer staff were invited to participate, a random selection of 20 employees from enterprises with more than 21 employees were invited to participate in the AWRS. See AWRS technical notes for more information: <https://www.fwc.gov.au/creating-fair-workplaces/research/australian-workplace-relations-study/awrs-technical-notes>.

²⁶ While the employees are not representative of the business that they are employed in, data on employees are still representative of all employees in Australia.

Table 5.1: Size of employee workforce

Business size	Degree of award reliance					
	None		Up to half		More than half	
	No.	%	No.	%	No.	%
Small	1 638 892	69.6	257 533	10.9	459 434	19.5
Larger	4 508 430	66.6	1 134 099	16.7	1 131 719	16.7

Source: AWRS 2014.

Both small and larger businesses with more than half of their employees award reliant had higher proportions of female employees than other business groups, with females making up the majority of employees in these businesses.

Across both business sizes, there were similar proportions of females between businesses with no award-reliant employees and businesses with up to half of their employees award reliant, with males accounting for the majority of the workforce in these businesses (Table 5.2).

Small businesses had higher proportions of female employees relative to larger businesses across all degrees of award reliance.

Table 5.2: Proportion of female employees

Business size	Degree of award reliance		
	None	Up to half	More than half
	%	%	%
Small	45.9	42.0	62.2
Larger	42.0	40.4	57.8

Source: AWRS 2014.

Businesses with more than half of their employees award reliant also had a higher proportion of part-time employees, with part-time employees accounting for the majority of employees in these businesses.

For the other business groups, part-time employees accounted for over one in four employees (Table 5.3). The proportions of part-time employees were relatively similar between small businesses and larger businesses across all degrees of award reliance.

Table 5.3: Proportion of part-time employees

Business size	Degree of award reliance		
	None	Up to half	More than half
	%	%	%
Small	26.1	29.3	58.5
Larger	26.3	27.8	58.8

Source: AWRS 2014.

Table 5.4 shows that businesses with more than half of their employees award reliant had higher proportions of casual employees, with casual employees accounting for almost half of their employees. Proportions of casual employees were relatively similar between businesses with no award-reliant employees and businesses with up to half their employees award reliant.

Proportions of casual employees were relatively similar between small businesses and larger businesses across all degrees of award reliance.

Table 5.4: Proportion of casual employees

Business size	Degree of award reliance		
	None %	Up to half %	More than half %
Small	15.4	16.5	49.0
Larger	17.9	18.7	45.6

Source: AWRS 2014.

Sales and Personal services were the most common occupations among employees of businesses with more than half of their employees award reliant across both business sizes. However, the occupations within businesses with more than half of their employees award reliant differed between small and larger businesses, with small businesses having higher proportions of Managers and Professionals and larger businesses having higher proportions of Labourers.

Businesses with up to half of their employees award reliant had relatively high proportions of Clerical and administrative workers. By business size, the occupational structure of these businesses was different, with small businesses having higher proportions of Managers while larger businesses had higher proportions of Labourers.

For businesses with no award-reliant employees, Professionals were relatively more common in larger businesses than small businesses. There were higher proportions of Managers and Clerical and administrative workers in small businesses, while larger businesses had higher proportions of Personal services and Sales workers.

The data also show that there were lower proportions of Labourers and higher proportions of Managers and Supervisors in small businesses compared with larger businesses (Table 5.5).

Table 5.5: Proportion of employees by occupation

Occupation	Small businesses			Larger businesses		
	Degree of award reliance			Degree of award reliance		
	None	Up to half	More than half	None	Up to half	More than half
	%	%	%	%	%	%
Managers	17.0	16.5	11.5	9.2	10.0	6.1
Supervisors/team leaders	8.7	9.5	8.4	6.5	7.3	6.2
Professionals	16.0	14.1	10.6	20.3	12.2	5.1
Technicians and tradespersons	13.2	12.5	7.1	9.8	12.3	4.1
Personal services	4.1	5.8	28.6	12.8	12.9	17.3
Clerical and administrative	19.0	16.9	6.0	10.8	13.4	5.6
Sales	8.7	13.7	14.7	11.5	12.8	28.4
Machinery operators and drivers	7.3	4.3	3.2	9.6	5.8	3.3
Labourers	5.9	6.8	9.9	9.4	13.3	23.9

Note: Excludes 'Other' responses.

Source: AWRS 2014.

The most common industries among employees of businesses with more than half of their employees award reliant were Accommodation and food services, Retail trade and Health care and social assistance across both business sizes. This was particularly true for small businesses. However, the industries of employees in businesses with more than half of their employees award reliant differed between small and larger businesses, with larger businesses having lower proportions of employees in Accommodation and food services and Retail trade relative to small businesses and higher proportions in Professional, scientific and technical services and Public administration and safety.

For employees in businesses with up to half their employees award reliant, Retail trade was a relatively common industry for employees across small and larger businesses. By business size, there were higher proportions of employees in Construction for small businesses, while larger businesses had higher proportions of employees in Manufacturing.

For employees in businesses with no award reliant employees, Health care and social assistance was relatively common across both small and larger businesses. There were higher proportions of employees in Construction for small businesses while larger businesses had higher proportions of employees in Education and training.

There were higher proportions of employees working in Construction, Retail trade and Accommodation and food services for small businesses, while larger businesses had higher proportions of employees in Health care and social assistance and Public administration and safety (Table 5.6 and 5.7).

Table 5.6: Proportion of employees by industry, small businesses

	Degree of award reliance		
	None %	Up to half %	More than half %
Mining	0.3	0.0	0.0
Manufacturing	10.0	11.1	3.1
Electricity, gas, water and waste services	0.6	0.0	0.1
Construction	15.7	16.1	6.4
Wholesale trade	5.7	3.3	1.1
Retail trade	11.7	19.8	20.2
Accommodation and food services	6.7	12.7	32.2
Transport, postal and warehousing	6.1	0.9	4.2
Information media and telecommunications	0.8	np	np
Financial and insurance services	3.1	1.5	0.0
Rental, hiring and real estate services	4.9	4.9	1.2
Professional, scientific and technical services	5.6	5.5	0.9
Administrative and support services	3.3	3.2	1.4
Public administration and safety	np	np	np
Education and training	3.3	1.3	2.3
Health care and social assistance	11.5	8.4	16.6
Arts and recreation services	1.6	2.0	5.0
Other services	8.6	8.8	5.0

Source: AWRS 2014.

Table 5.7: Proportions of employees by industry, larger businesses

	Degree of award reliance		
	None	Up to half	More than half
	%	%	%
Mining	5.1	np	0.0
Manufacturing	7.6	20.4	3.5
Electricity, gas, water and waste services	2.0	2.6	np
Construction	7.1	2.9	np
Wholesale trade	4.5	3.5	1.8
Retail trade	9.1	17.1	16.1
Accommodation and food services	3.4	9.6	16.9
Transport, postal and warehousing	5.9	5.3	2.0
Information media and telecommunications	2.3	5.3	0.2
Financial and insurance services	4.9	3.2	0.9
Rental, hiring and real estate services	0.5	1.2	0.1
Professional, scientific and technical services	9.1	0.8	14.7
Administrative and support services	4.2	2.9	5.8
Public administration and safety	3.5	3.6	10.3
Education and training	13.7	5.9	1.6
Health care and social assistance	13.4	11.2	19.0
Arts and recreation services	1.6	0.9	5.7
Other services	2.3	3.3	1.2

Source: AWRS 2014.

5.1.1 Summary

Across small and larger businesses, businesses with more than half of their employees award reliant were more likely to have higher proportions of females, part-time and casual workers relative to other businesses. Females and part-time workers accounted for the majority of the workforce in these businesses, while almost half of the workforce was employed on a casual basis.

Businesses with no award-reliant employees and businesses with up to half of their employees award reliant had similar proportions of females, part-time and casual workers across small and larger businesses. Males, full-time and permanent workers accounted for the majority of the workforce for these businesses.

Across all degrees of award reliance, small businesses had higher proportions of females relative to larger businesses.

The occupational structure of businesses varied by business size and degrees of award reliance. In general, there were higher proportions of Sales and Personal services workers for businesses with more than half of their employees award reliant across both business sizes, while Professionals and Clerical and administrative workers were relatively common for businesses with no award-reliant employees and businesses with up to half of their employees award reliant.

Relative to larger businesses, there were lower proportions of Labourers and Sales workers and higher proportions of Managers and Supervisors in small businesses.

Similarly, the industries of employees by business groups varied by business size and degree of award reliance. Retail trade was a relatively common industry for employees in both small and larger award-reliant businesses. For businesses with no award-reliant employees, the most common industry was Health care and social assistance, particularly for larger businesses.

5.2 Linking employees to their firms

This section outlines additional characteristics of employees by the different business groups taking advantage of the linked nature of the AWRS. However, given that only a sample of employees from each business was asked to respond to this survey, employees are not assumed to be representative of the individual businesses that they are employed in. The analysis in this section provides information on all employees working in each of the business groups. The unit of analysis in this section focuses on comparing employees that work in the business groups rather than businesses in the business groups.

5.2.1 Employment

Around three in ten employees across the business groups experienced unemployment over the past five years. Employees working in businesses with more than half of their employees award reliant were more likely to have experienced unemployment across both business sizes.

Employees working in small businesses were more likely to have experienced unemployment relative to employees in larger businesses (Table 5.8).

Table 5.8: Proportion of employees that have experienced unemployment over the past five years

Business size	Degree of award reliance		
	None %	Up to half %	More than half %
Small	29.8	27.1	36.6
Larger	27.2	25.0	29.8

Note: Excludes 'can't remember' responses.

Source: AWRS 2014.

Across both business sizes, employees in award-reliant businesses were more likely to have more than one paid job relative to employees in businesses with no award-reliant employees. Employees in small businesses were more likely to have more than one paid job relative to employees in larger businesses (Table 5.9).

Table 5.9: Proportion of employees that have more than one paid job

Business size	Degree of award reliance		
	None %	Up to half %	More than half %
Small	11.2	13.3	11.4
Larger	7.6	8.9	9.8

Note: Excludes 'prefer not to say' and 'missing in error' responses.

Source: AWRS 2014.

Across the business groups, less than half of employees had worked for their current employer for five years or more. In most cases, employees in award-reliant businesses were less likely to have worked for their current employer for five years or more relative to employees in businesses with no award-reliant employees. An exception was small businesses with more than half of their employees award reliant, where employees were the least likely to have been working for five years or more with their current employer.

Employees in small businesses were less likely to have worked for five years or more for their current employer than employees in larger businesses (Table 5.10).

Table 5.10: Proportion of employees that have worked for five years or more for their current employer

Business size	Degree of award reliance		
	None %	Up to half %	More than half %
Small	35.4	40.6	28.9
Larger	38.4	42.3	44.4

Source: AWRS 2014.

Most employees across all businesses had worked for 10 years and over in paid employment. Across both business sizes, employees working in award-reliant businesses were less likely to have worked for 10 years and over in paid employment compared with employees in businesses with no award-reliant employees (Table 5.11).

Table 5.11: Proportion of employees that have worked for ten years and over in paid employment

Business size	Degree of award reliance		
	None %	Up to half %	More than half %
Small	77.4	76.8	68.1
Larger	78.4	74.2	72.8

Note: Excludes 'don't know' and 'missing in error' responses.

Source: AWRS 2014.

Employees were asked if they preferred to work more hours than they currently do. Table 5.12 shows that employees in businesses with more than half of their employees award reliant were relatively more likely to prefer to work more hours. By business size, employees in small businesses were more likely to prefer to work more hours than employees in larger businesses.

Table 5.12: Proportion of employees that preferred to work more hours

Business size	Degree of award reliance		
	None %	Up to half %	More than half %
Small	29.2	28.9	42.3
Larger	27.7	28.4	37.0

Note: Excludes 'missing in error' responses.

Source: AWRS 2014.

5.2.2 Tertiary education

Most employees across all business sizes and degrees of award reliance had some form of tertiary education. Across both business sizes, employees working in businesses with award-reliant employees were less likely to have tertiary education than employees working in businesses with no award-reliant employees (Table 5.13).

Table 5.13: Proportion of employees that have tertiary education

Business size	Degree of award reliance		
	None %	Up to half %	More than half %
Small	76.2	73.4	71.0
Larger	77.3	72.9	67.9

Note: Excludes 'missing in error' responses.

Source: AWRS 2014.

5.2.3 Summary

Compared with employees in non-award-reliant businesses, employees working in award-reliant businesses were more likely to have experienced unemployment, to have more than one paid job and to prefer to work more hours. However, they were less likely to have tertiary education, to have worked for five years or more for their current employer or to have worked for 10 years or more in paid employment.

Relative to employees working in larger businesses, employees in small businesses were more likely to have experienced unemployment in the past five years, to have more than one paid job and to prefer to work more hours. However, they were less likely to have worked for five years or more for their current employer.

6 Conclusion

This paper has used two firm-level datasets to compare business characteristics and performance, and characteristics of employees, between businesses of different degrees of award reliance and size. The AWRS data showed that for small award-reliant businesses, the distribution of award reliance was relatively even except for a large proportion of small businesses with more than 90 per cent of employees award reliant. For larger businesses, the distribution exhibited a U-shape, where the highest proportions of award-reliant employees are at the highest and lowest ends of the distribution.

Although it is not the aim of the report to identify any causal relationships, the data show no overall strong patterns between businesses by degree of award reliance and/or size. However, certain factors analysed suggest some association by business size or degree of award reliance.

The main finding of the business characteristics analysis was that, for business composition, there were differences between award-reliant and non award-reliant businesses in some cases and between businesses sizes in other cases. Award-reliant businesses were relatively more likely than non award-reliant businesses to be a not-for-profit institution, to operate in regional/rural areas, to be in Retail trade or Accommodation and food services and to operate on weekends.

In other areas, such as work practices and workforce changes, there was greater similarity between businesses with no award-reliant employees and businesses with up to half of their employees award reliant. While the most common flexible work practice across all business sizes and degrees of award reliance was flexible start and finish times, an increase or decrease in demand for products/services was the main reason for an increase or decrease in jobs.

The reasons for pay-setting arrangements were relatively similar across business sizes, but differed by degree of award reliance. Businesses with more than half of their employees award reliant were more likely to report that they used awards because of affordability and that they did not want to pay more. For businesses with up to half of their employees award reliant, it was that awards were 'appropriate/fair remuneration'.

The chapter on business performance showed that small businesses with more than half of their employees award reliant were relatively more likely to be domestic only and operate in the immediate local area compared with other business types. Larger award-reliant businesses were more likely to have more direct competitors than small award-reliant businesses. Further, businesses with award-reliant employees were more likely to experience seasonal demand than businesses with no award-reliant employees.

The analysis of business attributes and innovation did not find any association by degree of award reliance or business size. However, while the most common attributes considered important by small and larger businesses were providing a unique product or service for which there is a demand, quality of the workforce and price, the relative importance of these attributes differed by business size and degree of award reliance.

Potential responses to a substantial increase in labour costs differed by business size. However, the most common short-term responses reported among all business types were 'increase revenue', 'implement strategies to manage or reduce wage bill' and 'increase efficiency of work techniques and processes'. In the long-term, the most common responses reported by both small and larger businesses were to adjust the pricing model, increase profitability/efficiencies and reduce workforce/hours.

Based on the subjective productivity measures from the AWRS, all business types were more likely to report that the productivity of their workforce had remained the same compared with the previous financial year. However, the data showed some variation by the degree of award reliance. An increase in productivity was more commonly reported among small and larger businesses with no award-reliant employees, as well as businesses with up to half of their employees award reliant. In contrast, small and larger businesses with more than half of employees award reliant were more likely to report no change.

The analysis of costs found that the ratio of income to wages was higher for small businesses compared with larger businesses, while wages as a proportion of total expenses was higher among larger businesses. Other labour costs comprised the lowest proportion for businesses with more than half of their employees award reliant. Relative to larger businesses, a higher proportion of small businesses had higher profitability and lower expenditure on wages and salaries in the last financial year compared with the previous financial year.

The linked nature of the AWRS allowed for an analysis of the employees within the business groups. The analysis found that across small and larger businesses, businesses with more than half of their employees award reliant were more likely to have higher proportions of females, part-time and casual workers. Females and part-time workers accounted for the majority of the workforce for these businesses.

Businesses with no award-reliant employees and businesses with up to half of their employees award reliant had similar proportions of females, part-time and casual workers across small and larger businesses. For these businesses, employees were mostly male, full-time and permanent workers.

Small businesses had higher proportions of females and similar proportions of part-time and casual employees relative to larger businesses across the degrees of award reliance.

Relative to employees in businesses with no award-reliant employees, employees working in award-reliant businesses were more likely to have experienced unemployment, have more than one paid job and to prefer to work more hours. However, they were less likely to have tertiary education, to have worked for five years or more for their current employer and to have worked for 10 years or more in paid employment.

Similarly, compared with employees in larger businesses, employees working in small businesses were more likely to have experienced unemployment in the past five years, to have more than one paid job and to want to work more hours. However, they were less likely to have worked for five years or more for their current employer.

The AWRS allows for a rich analysis of the characteristics and performance of employers and their employees. However, further research would be enhanced by a longitudinal linked employer-employee dataset. A longitudinal dataset would allow for a dynamic analysis of employers and employees because of its ability to track individual employees and employers over time. It would also allow for analysis on business viability, with a longitudinal dataset being able to track business survival over time.

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