



# Trends in Federal Enterprise Bargaining – Technical Notes

## The Workplace agreements Database

Data presented in the *Trends in Federal Enterprise Bargaining report* (Trends) are drawn from the Workplace Agreements Database (WAD), which is maintained by the Workplace Relations Policy Group of the Department of Jobs and Small Business. The WAD contains information on all known federal enterprise agreements that have operated since the introduction of the Enterprise Bargaining Principle in October 1991 and that have been subsequently provided to the Department of Jobs and Small Business. The WAD covers general details (such as sector, ANZSIC, duration, employees covered), wage details (quantum and timing of increases) and a range of Jobs and Small Business conditions.

### Agreements included in the WAD

The following agreements are included in the WAD and thus in Trends:

- For agreements made under the *Fair Work Act 2009* or before the Work Choices amendments to the *Workplace Relations Act 2006* (WR Act), those that have been certified by the Australian Industrial Relations Commission or approved by the Fair Work Commission (FWC).
- For agreements made under the Work Choices amendments but before the introduction of the Fairness Test, those that were lodged with the Office of the Employment Advocate (OEA).
- For agreements made under the fairness test, those that were lodged with the Workplace Authority. However, agreements were subsequently deleted and do not appear in the data if they ceased to operate because they did not pass the fairness test.
- For agreements made under the Transition to Forward with Fairness amendments to the WR Act, union collective and employee collective agreements that were approved by the Workplace Authority. Union greenfields and employer greenfields were included when they were lodged, but were deleted if they ceased to operate because they did not pass the no-disadvantage test.

### Wider context for Trends data

About one third of all employees in the Australian labour market (as measured by the ABS 2016 Employee Earnings and Hours survey) are covered by federal enterprise agreements. The table below shows the growth in coverage by federally registered agreements.

## Technical Notes Table - Instrument providing rate of pay for all employees, 2010-2016

| Instrument providing rate of pay   | 2010 (%) | 2012(%) | 2014(%) | 2016(%)        | 2018(%) |
|--|----------|---------|---------|----------------|---------|
| Award  | 15.2     | 16.1    | 18.8    | 20.6           | 21.0    |
| Collective Agreement (Federally Registered)  | 31.5     | 32.0    | 32.6    | 38.5 (across   | 30.4    |
| Collective Agreement (State Registered)  | 11.9     | 9.8     | 8.6     | all collective | 7.4     |
| Collective Agreement (Unregistered)  | 0.1      | 0.2     | 0.2     | agreements)*   | 0.0     |
| Individual Agreement such as common law contracts or over-award payments (Registered and unregistered) | 37.3     | 38.7    | 36.4    | 37.3           | 37.3    |
| Owner/managers of incorporated enterprises   | 4.1      | 3.3     | 3.4     | 3.6            | 3.8     |

**Source:** Australian Bureau of Statistics Employee Earnings and Hours, Cat. No. 6306.0 (May 2010, May 2012, May 2014, May 2016), unpublished data – all employees. Please note that this is not intended to be analysed as a time series.

**Note:** This table has been revised to include managerial-level employees. This accounts for all differences between this table and tables published in previous Trends reports.

### Presentation of Trends in Federal Enterprise Bargaining data

A typical row of data in Trends appears as follows:

| Field            | Description  |
|------------------|--|
| All Industries   | Total number of agreements for a given quarter   |
| AAWI (%)         | Average Annualised Wage Increase for the quarter   |
| Duration (yrs)   | Average formal duration per employee for the quarter                                     |
| Employees ('000) | Estimated total number of employees covered by the number of agreements in the first row |

It is important to note that not all agreements contain quantifiable wage increases and in most cases the AAWI is not derived from the total number of agreements shown in the first row or the total number of employees shown in the third row. A more detailed explanation of why this is the case is provided below under **Average annualised wage increases**.

## Employee coverage

Information on the number of employees covered by an agreement is drawn from the information provided to FWC (Fair Work Commission), the Workplace Authority or the AIRC (Australian Industrial Relations Commission) by the employer who lodges the agreement.

In the Trends data, the number of employees covered by agreements is presented as an estimated figure, as employee coverage figures are not always provided when an agreement is lodged.

Where an agreement's employee coverage is not known and the agreement replaces an earlier agreement where employee coverage is known, the employee coverage of the earlier agreement is used. For those agreements still lacking employee coverage a 'modified mean' is used to estimate employee coverage. The modified mean is generated for each industry group by current quarter removing the largest 5% and smallest 5% of agreements, and then calculating the mean of the remainder.

As the number of employees covered by an enterprise agreement frequently changes during the life of an agreement due to workforce fluctuations, the total number of employees covered is not necessarily indicative of the total current coverage of enterprise agreements.

## Duration of agreements

'Formal duration' is the period from certification to expiry in years.

The 'effective duration' of each agreement is used to calculate AAWI rather than formal duration (that is, the period from certification to expiry). The effective duration of a wage agreement is the difference in years between: certification, commencement or the date of the first wage increase (whichever is earliest) and expiry date or the date of the last wage increase (whichever is latest) or termination date (where applicable and only if prior to the later of either the expiry date or the date of the last wage increase). Those few agreements with a formal duration of less than one year are deemed to have an effective duration of 12 months.

## Average annualised wage increases

Estimates of average wage increases are calculated for those federal enterprise agreements that provide quantifiable wage increases over the life of the agreement. Enterprise agreements for which average percentage wage increases could not be quantified (e.g. those with inconsistent increases) are excluded from these estimates.

AAWI data examine only increases to the base rate of pay, and do not take into account allowances and bonus payments that are paid separate to the base wage. The ABS produces a more comprehensive dataset on total labour costs ([Labour Price Index](#)):

<http://www.abs.gov.au/ausstats/abs@.nsf/mf/6345.0>

For agreements with quantifiable wage increases, the average annualised wage increase (AAWI) per agreement is calculated using the following formula:

$$100 \times \left\{ \left[ \prod_{i=1}^N (1 + r_i) \right]^{\frac{1}{d}} - 1 \right\}$$

$r_i$  = % increases of the  $i^{\text{th}}$  time\*

N = the number of increases over the life of the agreement

d = the effective duration of the agreement in years

\*(Flat dollar increases are converted to a percentage using average weekly ordinary time earnings (AWOTE), drawn from [ABS, 6302.0 - Average Weekly Earnings, Australia](#)) for the relevant ANZSIC industry division and quarter)

AAWI per agreement provides only a simple unweighted average and tends to overstate the average wage increase received by employees. For this reason Trends reports the AAWI per employee, which is calculated by weighting AAWI per agreement by the number of employees covered by that agreement.

The “all current wage” estimates are the AAWI per employee for all quantifiable federal wage agreements that are current on the last day of the quarter. Current agreements are those agreements that have been approved and have commenced, but have neither been terminated nor nominally expired at a given point in time. An agreement is deemed to be current on its nominal expiry date.

Estimates of AAWI generally exclude increases paid in the form of conditional performance pay, one-off bonuses, profit sharing or share acquisition, as these data cannot readily be either quantified or annualised.

### **Australian and New Zealand Standard Industrial Classification (ANZSIC)**

From the June quarter 2009, Trends uses ANZSIC 2006 divisions for data presented by industry, while previous releases used ANZSIC 1993 divisions. This change followed the use of ANZSIC 2006 divisions in the August 2009 Average Weekly Earnings survey released by the ABS, from which data about AWOTE are drawn for use in calculating AAWIs.

From the June quarter 2009, historical industry data contained in the Trends report have also been produced using ANZSIC 2006 divisions.

### **Union Coverage**

Care should be taken when analysing data in tables 13 and 14, in comparing agreements that cover a union and those that do not.

Data about unions covered by agreements made under the *Fair Work Act 2009* may not provide an accurate reflection of union involvement in bargaining for agreements. Under the *Fair Work Act 2009* it is possible for a union to have been involved in bargaining for an agreement and then not be covered by the approved agreement. It is also possible for a union to be covered by an agreement because they were a bargaining representative, even if they did not take an active role in the negotiations.

Further, data about non-greenfields agreements made under the *Fair Work Act 2009* that cover a union cannot be directly compared with data about union collective agreements or s.170LJ agreements made under the *Workplace Relations Act 1996*, which had to be made with a union.

While a union may be a bargaining representative, there is no capacity under the *Fair Work Act 2009* for agreements (other than greenfields agreements) to be made with a union.

### **Non-quantifiable wage increases**

Wage increases are only recorded in the WAD if the same percentage wage increase that applies to all employees covered by the agreement can be quantified. There are many reasons why wage increases provided for in federal enterprise agreements may not be quantifiable. The list of reasons recorded in the WAD about why wage increases cannot be quantified is as follows:

| <b>Reason</b>           | <b>Definition</b>   |
|-------------------------|---|
| Inconsistent Increase   | Percentage wage increases vary between classifications in the agreement.  |
| Performance Linked      | Wage increases are awarded only if certain productivity improvements are made, or if wage increases are dependent upon individual or company performance.                         |
| Linked to CPI           | Wage increases in the agreement are linked to future CPI movements, and cannot be quantified at the time of calculating the AAWIs in this report.                                 |
| Linked to Minimum Wages | Wage increases in the agreement are linked to future minimum wage or award wage increase decisions, and cannot be quantified at the time of calculating the AAWIs in this report. |
| Other Reason            | Wage increases cannot be quantified due to a reason not elsewhere classified.   |

## Types of Collective Agreements

Trends in Federal Enterprise Bargaining tables 5, 6 and 12 include information about collective agreements broken down by the type of agreement, as determined by the relevant legislation. The following list shows the types of collective agreements available under the two pieces of legislation included in this report.

Collective agreements made under the *Workplace Relations Act 1996*:

- Employee collective
- Employee greenfields
- Union collective
- Union greenfields

Enterprise agreements made under the *Fair Work Act 2009*:

- Single enterprise non-greenfields
- Single enterprise greenfields
- Multi-enterprise non-greenfields
- Multi-enterprise greenfields

Of note, in sections 327-330 of the *Workplace Relations Act 1996*, the primary division between types of agreements was whether they were made with a union or without a union, while the primary division between agreements made under section 172 of the *Fair Work Act 2009* is whether they cover a single or multiple enterprises. Under both pieces of legislation, the secondary division is whether or not the agreement is a greenfields agreement, that is, it is made to cover a genuine new enterprise or undertaking for which no persons have yet been employed who will be covered by the agreement.

## Recent methodological change

The definition of 'current' agreements has changed from "those agreements that **have been certified** but have neither been terminated nor expired at a given point in time" to "those agreements that **have commenced operating**, but have neither been terminated nor expired at a given point in time". As a result of this change, there have been small revisions to historical data.

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