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Social research interim report

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

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All research undertaken by or commissioned by Fair Work Australia for the Annual Wage Review 2009-10 has been agreed by the Research Group. The Research Group comprises a Chair from the Minimum Wage and Research Branch of Fair Work Australia, and representatives nominated by:

- Australian Chamber of Commerce and Industry (ACCI);
- Australian Industry Group (Ai Group);
- Australian Council of Social Services (ACOSS);
- Australian Council of Trade Unions (ACTU);
- Australian Government; and
- State and Territory Governments.

The social research was externally commissioned and the “Social Research Interim Report” was written by TNS Social Research.

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Executive summary

TNS Social Research has been commissioned by Fair Work Australia (FWA) to conduct a program of social research which examines the experiences and views of Australians directly affected by adjustments to national minimum wages as they relate to the minimum wages objective (s. 284 *Fair Work Act 2009*).

The program of social research comprises two phases designed to capture the changing experiences of employers and employees directly reliant on minimum wages over 2009–10. This report details findings from phase one of the research, conducted in November and December 2009. A consolidated report will incorporate findings from the first phase and a second phase of research that will be conducted in March 2010.

This interim report is based on findings from qualitative research with minimum wage–reliant employees and employers of minimum wage–reliant workers. This included a series of six face-to-face discussion groups and one online bulletin board with minimum wage–reliant employees, and 12 face-to-face in-depth interviews and two online bulletin boards with employers. Face-to-face research was conducted in Melbourne, Cairns and Wagga Wagga. Bulletin board participants were located across NSW, Vic, WA, SA and Qld.

Research findings in context: Economic change over 2009

The research was conducted at the end of a year when both employers and employees had experienced significant challenges as a result of the changing economic conditions in Australia. While many were starting to observe signs of economic recovery, the experience of managing through the downturn dominated all discussions in this research. Thus the findings presented in this report reflect the strategies that participants used to adapt to the changing conditions and the factors that influenced their decisions.

The experience of business in 2009

Business performance and adjustment strategies

Across all industries, there was evidence that the decline in business performance, predominantly as a result of decreasing revenue, was a catalyst for a significant review of business operations and strategy over 2009. Many employers reported making fundamental changes to business operations, particularly where business viability was threatened. Even where revenues had not declined, businesses were operating with high caution and low risk.

The research identified how strongly an individual employer's approach to business management influenced the nature of their response to pressures on the business. Employers displaying a higher level of business acumen, or a more sophisticated approach to business operations, typically displayed a more considered approach to managing business performance through the use of adjustment strategies.

Overall, adjustments have been grouped according to objectives or modes of implementation. Some adjustment strategies focused on revenue generation or cost control. Some adjustments had short-term objectives and some were more easily or quickly implemented. Others had a greater impact on the business or on staff, and therefore took more careful consideration or were considered a 'last resort'. Importantly, many of the adjustment strategies were thought to have brought about increased efficiency and an improved business model, prompting employers to maintain them in the longer term. Adjustment strategies include:

- **Strategies targeting revenue:** Maintaining revenue through an increase in the volume of sales/customers or through the generation of new revenue streams typically involved various revisions to

marketing strategies (at a cost to the business). Pricing was a key adjustment variable, targeted to varying degrees in accordance with industry custom in monitoring price and local economic conditions. Pricing considerations were also influenced by the business's performance and position in the market.

- **Strategies targeting operating cost and cost control:** Labour costs were generally considered more easily adjusted than other business costs (with the exception of inventory levels, which many employers had adjusted in response to falling demand). Overall, the wage bill was typically one of the first targets for cost control, often through decreasing hours, managing rosters to minimise overtime, or adjusting the workforce profile. The most common strategy was to cut the number of casual staff per shift. Reducing numbers of permanent staff was considered a severe strategy with negative consequences for business and was often a 'last resort'. Maintaining the quality of product or service was an important consideration when making adjustments to labour costs, and levels of demand were closely referenced.
- **Strategies targeting productivity, efficiency and work design:** Productivity gains focused on increasing units of output per labour hour through staff selection; incentives as a means of increasing employee performance; or increased efficiency in performing tasks. Several employers had made more direct and deliberate changes to their operational model and staff structure to streamline business processes and increase efficiency. For example, reducing the time spent to complete projects, reducing headcount by using more highly skilled staff, and changing the length and timing of shifts.
- **Strategies targeting workforce management and development:** Approaches to workforce structure varied considerably according to operational needs, the priority of service quality, government regulations and employee preference. The most common strategy considered was the use of casual labour. Employers across industries weighed the added flexibility of casuals against the stability of permanent staff and the extra costs associated with casual loadings. While a casual workforce was more appropriate for some industries than others, the benefits of flexibility in a changing economy became increasingly apparent—leading employers who had previously favoured permanent arrangements to implement and maintain casual arrangements.

Training

Investment in training varied according to the priority placed on staff retention. While all employers claimed to provide training of sorts, there was extensive variation in the type of training offered. Some employers, particularly those from smaller business with low-skilled employees, offered basic, on-the-job training, essentially so that employees could perform their tasks. Others, particularly businesses requiring more highly skilled employees, had more comprehensive training programs aiming to improve performance, retain staff and fill skills gaps. Businesses operating in industries with skills shortages used training as a means of attracting skilled employees and retaining them in the longer term.

Recruitment

The nature of recruitment strategies reflected employers' expectations about business growth. Employers showing greater confidence about the year ahead were hiring, while others remained cautious. Casual and part-time arrangements were seen as a prudent choice in a potentially volatile economic climate. Although the labour market was widely felt to favour employers over employees, the extent to which this was thought to provide recruitment opportunities for business varied. While some claimed to have become more discerning when recruiting staff, others questioned the 'quality' of job seekers in the market. By contrast,

there was widespread acknowledgement of the value of retaining experienced staff, which enables employers to limit spending on training new workers, maintain levels of productivity, and ensure extra workflow could be covered if demand increased.

Wage-setting arrangements

Many businesses had a mix of employment arrangements and wage determinants, and referenced a number of awards in setting pay rates across their workforce. While some employers paid all employees minimum rates, others used some discretion when determining wage rates at an individual level. 'Unproven' staff, such as juniors and trainees, typically started on minimum rates, while higher performing employees were paid more, reflecting their greater value to the business.

In response to declining revenue over 2009, employers started new staff on minimum rates or did not pass on planned pay increases to those existing employees who were paid above minimum rates. Very few employers, however, reduced the salaries of existing employees. Instead, the total wages bill was managed through reductions in hours, including introducing nine-day fortnights, rostering fewer overtime shifts, and using permanent, salaried staff rather than casuals, or juniors rather than adults, to avoid paying higher hourly rates.

Importantly, however, employers' control of the labour market led some employees to accept an overall lower wage through reduced hours in total, or to take up jobs on lower hourly rates of pay in order to obtain employment. In this environment, employers used minimum rates, although they may have previously paid above the minimum. Effectively, therefore, the minimum rates served as the floor or safety net for low-skilled employees whose bargaining power had clearly diminished.

The experience of employees in 2009

For employees, changes to working conditions throughout 2009 flowed directly from the strategies put in place by employers to adjust to declining business performance. As employers implemented changes to their workforce structure, employees experienced cuts in overtime, reduced hours and changes to shift patterns and arrangements. As a result, many employees reported a decline in their wages. Increases to workload and changes to the working environment were also reported, as employees felt greater pressure from employers to be more productive.

In such an environment, employees were generally more willing to accept lower rates of pay and less desirable conditions in order to obtain and retain employment. This attitude extended to less confidence among employees generally in negotiating rates of pay.

Most employees considered the labour market to be highly competitive. Concern focused on the perceived limited availability of 'desirable' employment in terms of industry, occupation, wages and conditions. The level of choice over working hours and working conditions diminished throughout 2009.

Attachment, mobility and training

Some employees considered their current minimum wage-reliant employment as a long-term or permanent arrangement while others viewed it as temporary, and sought or aspired to alternative employment. Attachment and mobility were influenced by an interplay between motivation and opportunity. These varied for employees according to personal situations and employability. In 2009, the attitudinal and practical

barriers to mobility brought about by an uncertain labour market were particularly apparent in both emphasising to employees the importance of job security, and limiting job opportunities in many markets.

The research highlighted that the competitive labour market led many employees to consider training as a means of both increasing employability and strengthening protection from unemployment. Some upwardly mobile employees had invested in training as a means of obtaining more desirable employment. Other employees faced constraints that prevented them from making this investment or were less motivated at this point in time.

Strategies for responding to changing employment

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

Multiple strategies were adopted in response to reduced wages income, often involving both increasing income and controlling expenditure. Employment- and income-related strategies involved working more than one job; actively finding more hours or different shifts in their current job; searching for more secure work or work with less reliance on casual shifts; increasing productivity; and investing in training. Commonly implemented strategies to limit expenditure included budgeting and reducing discretionary spending, managing debt and increasing saving. Some employees also increased their reliance on debt to get through particularly challenging periods. Some participants also reported delaying mobility and accepting less desirable working conditions as a risk-management strategy to avoid jeopardising their wages income.

Workforce participation and social inclusion

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

In essence, reduced wages as a result of business adjustments led employees to reduce both their living and working standards, particularly for employees in the lower range of income dispersion with no alternative income sources to meet their living costs. While workforce participation was seen by these employees as fundamentally important for social inclusion, employment in these terms was also seen to inhibit access to resources, damage health and self-worth, and restrict social relationships in comparison to fuller employment or alternative employment arrangements, hours and work design (as previously experienced in more buoyant times).

The expectations of employees appeared to have been lowered during 2009 with greater acceptance of lower income and underemployment through short-time or reduced casual hours. However, changes to working conditions, stress, and the related effects on quality of life were real considerations when weighing up the benefits of working or increasing workforce participation. The trade-off with government allowances was taken into account, as the incentive to work diminished relative to the security of regular, albeit lower, income from allowances.

1 Introduction

1.1 Background and objectives

Fair Work Australia (FWA) has commissioned TNS Social Research to conduct a program of social research examining the experiences and views of Australians directly affected by adjustments to national minimum wages as they relate to the minimum wages objective. The minimum wages objective in the *Fair Work Act 2009* (FW Act) refers to a range of criteria that should be taken into account in establishing and maintaining a safety net of fair minimum wages in Australia. These criteria include:

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

The program of social research comprises two phases. The first phase of research (conducted in November and December 2009) has sought to capture the experiences of employers and employees directly reliant on minimum wages over 2009. A consolidated report will incorporate findings from the first phase and a second phase of research that will be conducted in March 2010.

1.2 Research process

1.2.1 Research sample

The research was designed to capture the views and experiences of two specific target groups: minimum wage reliant–employees and employers of minimum wage–reliant workers. For the purposes of the first phase of research, ‘minimum wage reliant’ was defined as wages determined according to the relevant classification/level in the transitional Federal Minimum Wage or in an award/transitional pay scale.

At the outset of the research, a potential challenge was identified in determining minimum wage reliance. Prior research has identified limited awareness of wage-setting instruments and arrangements among employees.¹ To address this challenge TNS Social Research, in consultation with the Workplace Research Centre and Fair Work Australia, developed a unique process for participant recruitment. This process involved sourcing sample through multiple networks, screening sample using questionnaires and validating questionnaire responses against industrial instruments and publicly available information about enterprises.

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

¹ Van Wanrooy B, Jakubauskas M, Buchanan J, Wilson S and Scalmer S (2008), *Working Lives: Statistics and Stories*, Workplace Research Centre, Sydney

1.2.2 Sample characteristics

A further challenge for recruitment was identifying and representing the range of industries, occupations, classifications and wage rates of minimum wage reliance. Timing constraints and the intensive nature of the recruitment process necessarily led the recruitment for the first phase of research to focus on five industries identified as having high proportional award reliance. These industries are: Accommodation and food services (AFS); Retail trade (Retail); Administration and support services (ASS); Manufacturing; and Health care and social assistance (HCSA). This approach has limited the range of occupations and classifications represented in the first phase of the research; however, the second stage of social research (in March 2010) will provide further insight into the experience of a broader range of minimum wage reliant–employees and employers of minimum wage–reliant workers. A greater representation of awards and classification levels will be sought through targeting a broader range of industries and occupations. Further, personal and employment circumstances will be closely monitored through the recruitment process to ensure the final sample includes a wide range of characteristics.

Employer sample characteristics

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

Some employer participants reported setting wages across their workforce according to the rate set out for the classification/level in the award(s) they referenced. That is, all staff are minimum wage reliant. Most participants, however, used a variety of methods for determining employee wage rates, and paid some staff more than the minimum rate for the classification/level at which they were employed. Where employers used several methods for determining wage rates, the proportion of minimum wage–reliant workers was relatively small.

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

Employee sample characteristics

Recruitment of employee participants for the first phase of research focused primarily on determining minimum wage reliance. Representation of personal and employment characteristics was a secondary consideration, due to the intensive nature of identifying and validating minimum wage reliance, and the relatively short timeframe to recruit participants.

Across the five industries included in the first phase of research, the classifications/levels of employee participants represented basic wage rates of between \$9.00 per hour (apprentice wage) and \$32.00 per hour. Most employee participants in this research had a basic wage rate of between \$17 per hour and \$22 per hour. Actual earnings of employees either mirrored the basic hourly rate set out in the instrument or

included casual loadings, shift allowances/penalty rates and overtime payments where the instrument so specified.

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

1.2.3 Data collection methodology

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

- Melbourne
- Wagga Wagga
- Cairns

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

Focus groups

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

In-depth interviews

A series of 12 face-to-face in-depth interviews were conducted by experienced TNS interviewers with employers of minimum wage-reliant workers. Four interviews were conducted in each of the three locations listed above. Interviews were conducted in the employer's workplace or a suitable venue and were between 45 minutes and one hour in duration. Prior to the interview taking place, employers completed a profile sheet that collected enterprise information about workforce structure, revenue, operating expenses, profit levels and expectations for profit levels in the 2009–10 financial year.

Interactive online discussion forums (bulletin boards)

Experienced TNS Social Research facilitators conducted a series of online bulletin boards involving up to 14 participants located across five states. The bulletin boards operated over a period of five days. Individual

activity questions and group discussion questions were set for each of the five days. The bulletin boards were structured as follows:

- n= 1 online discussion with younger minimum wage–reliant employees (ages 18–25 years)
- n= 1 online discussion with employers from businesses in the Retail and Manufacturing industries
- n= 1 online discussion with employers from businesses in the AFS, HCSA, and ASS industries

Further details about participant characteristics according to data collection methods can be found in Appendix A.

1.3 How to use the findings presented in this report

This research purposefully sought to include the experiences and views of participants representing a diversity of circumstances across a range of variables. However, the recruitment challenges and sample limitations outlined in section 1.2 have somewhat restricted the range of relevant variables captured in the first phase of this research.

This report presents qualitative findings that provide insight into the experiences and views of the research participants, who are directly affected by adjustments to minimum wages. As an interim report, this summary of findings provides the foundation for understanding key issues and considerations leading into 2010. The second stage of the research will build on this foundation, further exploring experiences and including a broader range of participants.

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

2 Research findings in context

This interim report provides detailed description and examples of the experiences and behaviours recounted by employer and employee participants from 2009, as well as their perceptions and influences on decision-making leading into 2010.

2.1 Characteristics of employers in this research

Most employers reported profit levels ranging from no profit to 30 per cent. However, the majority were under 20 per cent and several reported profit levels of less than five per cent. It is important to note that a number of participants chose not to disclose business profit levels. Almost all employers reported a decline in profit levels at some point during 2009, whether sustained or short-term. This drop in business performance was largely due to a decline in revenue, though references to increased operating costs were also made.

Employers reported that the largest, most significant expense to their businesses was wages. However, few employers nominated operating costs among the main factors that influence business performance. The main cause(s) of changes in profit included: level of demand for product/service (including performance of the economy), the degree of competition for the same product/service within their local market and the quality of the business's service or product.

Most of the business owner participants in this research had established businesses and had been in operation for over five years. Many of these participants had previously experienced variable economic conditions and were able to draw on experiences of managing business performance in challenging operating environments.

2.2 Characteristics of employees in this research

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

Many participants employed on a permanent basis considered their current employment a long-term arrangement, while others considered their current employment to be temporary. These employees were typically employed on a casual basis.

Minimum wage-reliant employees in this research who were main income earners were typically working full-time hours on a permanent basis by choice. Employees who were secondary income earners often had other priorities, including studying or parenting, and were working part-time hours, often on a casual basis but also on a permanent basis.

Employees in this research with university qualifications, diplomas, certificates and trade accreditations had comparably higher wages than employees who did not have, or had not yet completed, post-secondary school education.

The research revealed diverse attitudes toward paid employment. Some participants felt attached to their current employment and sought or aspired to more personally and/or financially rewarding employment. Several reportedly didn't feel attached to their current employment, nor motivated to seek an alternative.

2.3 Economic change in 2009

The research was conducted in November and December 2009, at the end of a year where participants experienced the effects of an economic downturn and were concerned about rising unemployment and significant contractions in many markets.

Participants in this research were employers who had remained in business and employees who had remained attached to the labour market over this period.

The downturn and its impact on business performance, the labour market, quality of life and related decision-making dominated all discussions. However, in November/December 2009 there was a perception among most participants that the worst of the downturn had passed. There was considerable diversity of opinion regarding the extent of improvement and not all participants had seen tangible evidence of recovery. However, the overarching sentiment was that the 'tide is turning'.

The findings presented in this report are about the lived experience of changing economic conditions throughout 2009 and much, if not all, relate to managing elements of change.

3 The experience of businesses in 2009

KEY FINDINGS

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

Almost all employers in the research had made changes to their business operations as a result of declining revenue during the downturn and/or through rising costs during 2009. While the types of variables adjusted were similar, the nature of responses to declining revenues varied considerably.

Adjustment strategies varied according to the specific objectives or modes of implementation. Generally strategies focused either on revenue generation or cost control, though some strategies involving multiple adjustments sought to do both concurrently.

Overall, employers tended either to anticipate and plan for change ('planners') or react in an ad hoc manner when and as needed ('responders'). This has implications for the kinds of adjustments implemented. Given the opportunity to plan, employers could be more strategic and favour adjustments with long-term benefits for revenue generation/cost control, compared to more reactionary adjustments, which are typically implemented in an ad hoc manner, are quick and easy to implement and tend to have short-term objectives for revenue generation/cost control.

The most prevalent strategy in response to declining revenue involved workforce restructuring and cuts to staff hours and numbers. Many employers indicated that the changes to workforce structure would be maintained at least in the short term, reflecting uncertainty about business performance in 2010.

Employers were generally cautiously optimistic about business performance in 2010. All felt their business would remain viable (maintaining current performance) and some felt performance would improve. None were expecting performance comparable to that experienced during more prosperous times. Few employers were able to articulate the implications of award modernisation for their business in 2010. For most employers it was either unknown or a source of confusion, uncertainty and concern.

Most employers claimed that the labour market was currently favouring business. There was some scepticism about the 'quality' of job seekers, as higher numbers of applicants require employers to spend more time identifying the right candidate(s). Most employers indicated a preference for experienced/skilled workers, who can deliver higher productivity, and felt this preference was viable as a consequence of the relatively large pool of skilled applicants currently seeking employment (compared to more prosperous times).

Some employers in this research paid all staff according to minimum rates, but most used a variety of wage-setting arrangements, paying their higher performing/more highly valued employees above-award wages. For these employers, the downturn was thought to have brought about a change in 'acceptable' labour rates. However, this was considered a temporary state and some employers were planning/expecting increases to wage rates in 2010, including increases to minimum wage rates.

3.1 Employer attitudes and business decisions

In the context of the many challenges throughout 2009, confidence, as influenced by general outlook regarding the economy and business performance, played a significant role in employer decision-making. Leading into 2010, the perception that the worst of the downturn has passed was observed to be influencing key business decisions already.

3.1.1 Outlook: cautious optimism

While some sectors were yet to see strong signs of recovery, many employers were optimistic in their outlook. A certain 'wariness' was still evident; however, most felt conditions had stabilised or improved. The extent of expected improvement in 2010 varied considerably. Some employers considered that 2010 would be a consolidation year and were expecting business performance to be stable. Others were cautiously optimistic about seeing business performance improve as a result of an upturn in economic conditions and/or the adjustment strategies implemented in 2009 in response to declining performance:

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

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

Perceptions were most notably influenced by direct experience of business performance, with an upturn in sales, orders or revenue seen as indicative of a broader economic upturn. Employers expecting improvements in business performance in the coming months frequently noted the effectiveness of particular strategies they had implemented in 2009, and their intention to maintain them in 2010. Many of these strategies included adjusting models of operation to manage efficiency and cost:

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

However, the reality for most employers was that revenue was still down relative to the more buoyant times of past years:

'In the snack food manufacturing industry we found sales to the supermarkets slowed and also in the food service. We have been slowly increasing hours in the build-up towards Christmas, but it's not the same as last year. Our sales are down by around 20 per cent to last year. We tend to judge things by the supermarkets sales and these are down.' [Employer, Medium, Manufacturing, Brisbane]

'The downturn had a huge impact to the company's profit; there was months that we were losing money. Profit has returned over the last six months, but our revenue is still down around 40 per cent from the good times.' [Employer, small, Manufacturing, Adelaide]

Perceptions and experiences varied considerably across locations, reflecting the diversity of business performance issues across local economies and sectors. Some areas appeared to have experienced more extreme or sustained declines in business performance over 2009. For these employers, price competition continued to eat into profitability and business viability would still be a significant concern into 2010:

'I don't think [the economy]'s going to be much better ... I'm pretty scared. I've always been successful and, to be honest with you, I'm very close to borderline. So that does make you inhibited and obviously you're not spending and you're not doing.' [Employer, small, AFS, Cairns]

Employer decision-making

Employer decision-making was already being influenced by optimism about both the effectiveness of adjustment strategies, and economic conditions in general. Employers were now reconsidering some aspects of their business operations such as:

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

'... we cut the pies right back. Then the pies have sold again, so we increased them.' [Employer, Small, Retail, Cairns]

- **Pricing:** fewer discount sales and promotions or even increasing prices. Although revenues had not returned to the levels of the pre-2008–09 period, sufficient increases in turnover or spend per customer signalled to business that pricing could be adjusted upward without losing custom:

'There was one particular product that was a main seller, and these cost the customer \$300 upfront. I found that sales in this area slumped and we were lucky to sell one a week, compared to around 12 a week. Massive dent in our profits there! We did a "sales" pitch and dropped the price of these products to still try and turn the stock over. When we saw the economy pick up again we removed the sale.' [Employer, Micro, Retail, Brisbane]

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

'Changes were necessary in order to meet and maintain our wages-to-invoice ratio. Sometimes, less staff is easier to manage (and they work harder as they have a basic need to pay rent and put food on table), but as soon as things picked up, we did need to recruit old names again, as we need to turn product around quickly and effectively.' [Employer, micro, Manufacturing, Melbourne]

Some employers were aware that a 'new IR system' was being introduced in 2010, but were uncertain about what this would comprise and how it would affect them:

'I have no idea what they're going to do. I just think that not really much—everyone knows it's happening or it's going to be happening, but there doesn't seem to be anything in the media or anything about it. I don't know. I suppose we'll find out in January ... Yes, I really don't have a clue what they're doing with it. I think the last couple of years, a lot of businesses haven't really had a clue what's going on anyway regardless, with all the changes.' [Employer, Melbourne, Medium, Retail]

Employers with some awareness of modern awards were generally in favour of streamlining and condensing what was considered a fairly complicated industrial relations system in Australia. However, there was wide-ranging speculation about what it would mean in practice. These employers were generally apprehensive about what will happen in 2010. Some employers anticipated that modern awards would translate to an increase in labour costs, while others thought there would be no change:

'If, as I suspect, there is going to be significant adjustments to award rates in the Rudd Government rebuild of awards we will certainly reduce permanent staff. The individuals close to base here are not worth more money.' [Employer, medium, Manufacturing, Melbourne]

Overall, the 'new IR system' was either unknown or a source of confusion, uncertainty and concern.

3.2 Business performance and processes

3.2.1 Business processes

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

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

Typically, business managers were either 'planners' or 'responders'. Some anticipated changes and scheduled responses while other were more reactionary and responded in ad hoc manner.

The attitude of the business manager to risk greatly influenced business processes, with some preferring conservative, risk-averse strategies over more entrepreneurial or innovative solutions:

'With all the negative sentiment around the place, we decided to take a conservative outlook at the time rather than a more optimistic one. I think it is best in lean times to play it safe.' [Employer, micro, Manufacturing, Melbourne]

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

3.2.2 Performance and profitability

The changing, and often challenging, economic conditions dominated discussions across most locations, with a wide range of views and experiences expressed. Many participants, particularly in the Accommodation and food services and Retail trade industries, recounted decreasing profits as a result of reductions in revenues

that threatened business viability and income security. For some employers this was a scenario they had never faced in business before.

Almost all participants had made changes to business operations in 2009 to manage the changing economic conditions. Even where revenues had not declined, businesses were operating with high caution and low risk.

Perceptions of the factors which influence business performance varied, as did the degree of control that employers felt over their profitability. When asked about the main factors that influence business performance, answers were many and varied, reflecting different experiences across types of businesses and varying levels of sophistication in business management. External factors mentioned included the level of demand for their product/service (including performance of the economy), and the degree of competition for the same product/service within their local market. Looking internally, quality of service or product was seen as the biggest contributor to strong performance. Few employers nominated operating costs among the main factors that influence business performance.

Businesses operating in the community services sector generally reported that the downturn had not affected profitability, but had noted other changes—for example, more ‘vulnerable’ people seeking assistance. Some childcare operators had noted children being taken out of care as parents were no longer working, or parents requiring more care as they were seeking extra shifts at work, aiming to be more flexible and therefore to retain their employment. Many in this sector felt that these services would always be required and that business performance would be relatively consistent despite the performance of the economy:

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

Employers with a diversified offering appeared to fare relatively well. Some had actively shifted their efforts to the better performing areas of their business to maintain revenue levels:

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

Businesses operating at the lower end of the market, with lower price points attractive to a wider, more cost-conscious customer base also appeared to maintain business performance through the downturn:

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

3.2.3 Adjustment strategies

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

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

Revenue generation versus cost control adjustments

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

- **Targeting revenue/turnover:** these strategies involved increasing the level of custom through a number of means, which are detailed in section 3.3. Sometimes these adjustments were implemented in response to competition price-cutting (reactionary), but often were the initiative of the business in response to declining revenue. These adjustments were used in the Retail and Accommodation and food services industries. Of note, increasing prices was not mentioned by any participants as a viable option during the downturn.
- **Targeting costs:** these strategies involved reducing operating costs, and are detailed in section 3.4. Often these adjustments were in concert with increased work intensification for existing staff and/or manager-owners working harder themselves. Of note, cutting costs by reducing the quality of inputs was not considered a feasible strategy by many participants.

Strategic or reactionary adjustments

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

- **Strategic changes:** these changes were directed at consolidating relationships with existing clients/customers, strengthening market position, diversify offering and operational changes to improve efficiency on an ongoing basis. The enterprises implementing these changes tended to be larger and more diversified to begin with. Operational changes falling into this category were generally seen as beneficial in the mid to long term and are likely to be maintained in 2010.
- **Ad hoc changes:** these changes were directed at maintaining profit levels or minimising the decline in profit that resulted from a drop in revenue. This was achieved through short-term revenue generation or cost control adjustments.

Ease of implementation and severity of impact

Some strategies were preferred over others as they could be easily adjusted for immediate effect and would often have minimal negative consequences for (permanent) staff, customers, and competitive market position. Adjustments to reduce costs were more routinely the first areas of adjustments made by business, as they were seen to be less severe. The quality of services to customers, however, was a key issue for many business owners, and protecting customer loyalty and market position were important considerations.

Adjustments that negatively affect staff (with the exception of management of casual hours) were seen as more severe. In particular, redundancies were avoided wherever possible, although they were necessary for several businesses in this research during 2009.

Table 1 summarises the full range of strategies used to adjust business operations; perceptions of ease of implementation; and views of the severity of such adjustments on the business. Detailed illustration of approaches and related issues are presented in the sections to follow.

Table 1: Adjustment strategies and ease of implementation/severity of impact on business

WAGE BILL MANAGEMENT	
EASIER	Decrease hours or shifts of casual staff
	Reduce number of casual staff per shift/per task
	Casual staff finish early when business is slower
	Reduce overtime/shifts with penalty rates
	Hiring freeze/no replacement positions
	Diversity roles, work intensification, increase work outputs of permanent/salaried staff
	Owner personally works an increased number of hours or extra shifts (e.g. Sunday shifts) to offset reduced staffing or to avoid penalty rates
CAUTION	Wage freeze/hold back planned pay rise
	Use junior staff (junior rates) rather than senior staff (adult rates)
	Reduce large numbers of or all casual staff
	Reduction of pay for staff paid above minimum rate
	Apply junior rates for staff under 21 years
	Pay newly hired staff at minimum pay rates
	Direct permanent staff to use leave credits (annual leave, long service leave)
SEVERE	Decrease hours of permanent staff (reduce work day hours, reduce number of days per week)
	Reduce number of permanent staff (redundancies)
	Reduce wages of staff
WORKFORCE MANAGEMENT, PRODUCTIVITY AND EFFICIENCY STRATEGIES	
EASIER	Decrease expenditure on training/skills development
	Implement/ increase reward for good performance, bonus for KPI, commissions
CAUTION	Invest in training, equipment, or software for more efficient techniques for delivering service/ manufacturing product/delivery outcomes in less time
	Change shift structures, make-up, length and overall process for delivery (fewer people, longer or short shifts, multi-skilling etc)

	Job redesign and change workforce structure hire/retain experienced/skilled workers over lower skilled positions, further diversify tasks, multi-skill for overall fewer staff
BROADER BUSINESS STRATEGIES TO REDUCE COSTS OR MANAGE CASH FLOW	
EASIER	Postpone non-essential tasks
	Postpone new equipment (capital) purchases
	Reduce input expenses (raw materials)
	Renegotiate contracts/change suppliers
	Reduce travel costs
	Reduce consumables and amenities
	Review frequency of ordering inventory
	Reduce orders/cut stock
CAUTION	Reduce business offering (drop less profitable offering)
	Change/reduce operating (opening) hours
	Renegotiate rent/change premises
SEVERE	Reduce service delivery/lower quality
STRATEGIES TO MAINTAIN CUSTOM OR INCREASE REVENUE	
EASIER	Marketing—advertising, campaigns, promotions
	Bonus deals, extras and free 'add-ons'
CAUTION	Review customer payment terms
	Hold back/don't pass on planned price increase
	Diversify business offering/expand into new areas or products
	Adjust prices to match competition
SEVERE	Price for loss-making scenario to maintain customers in short term

EASIER: relatively easy to implement, generally immediate and shorter term

CAUTION: more/much consideration goes into implementing these adjustments due to impact on staff, customers, quality or market position

SEVERE: extreme adjustments, generally negative consequences, short term for business survival

The types of variables adjusted in response to declining revenue are similar to those typically implemented in response to an increase in operating costs. However, in the face of rapidly declining revenues, as experienced throughout 2009, business responses varied considerably. Major differences observed relate to:

- Cutting 'harder'—making staffing adjustments and introducing multiple adjustments, including more severe measures such as staff redundancies. (These strategies were generally temporary/short term.)

- Focusing on reviewing operations, making efficiency gains and increasing productivity with fewer staff. (Many of these strategies, while initially short-term, will be kept long term by businesses as benefits were realised.)
- The use of strategies targeting revenue. These adjustments, including making dramatic pricing adjustments, were more common. Businesses had been operating in very stressful circumstances: several recounted experiencing loss-making periods during which they used price to maintain some revenue and longer term viability (i.e. once they 'got through' the challenges). (These price decreases were short term, and as reported in section 3.3.1, some have already been readjusted.)

Across all industries, there was evidence that the decline in business performance as a result of declining revenue has been a catalyst for a more significant review of business operations and strategy over 2009. Many employers reported making fundamental changes to business operations, particularly where business viability was threatened and significant adjustments were required. Overall, adjustment strategies involved implementing multiple adjustment variables, either concurrently or sequentially. These strategies were aimed at both cost control and revenue generation, either concurrently or sequentially.

3.3 Revenue

Many participants reported implementing strategies to maintain revenue (the dollar figure) through an increase in the volume of sales/customers or through the generation of new revenue streams. Revenue-related adjustments include:

- increasing marketing/advertising
- direct targeting of competitor customers
- decreasing prices—sales
- putting items on sale sooner/faster than usual
- offering discounts/bonus deals/special promotions
- offering extras—'complimentaries'/'add-ons'
- diversifying business offering to attract new customers
- developing new product/s or entering new markets
- pursuing government contracts for new revenue/secure revenue

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

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

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

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

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

3.3.1 Pricing decisions

Price was a key adjustment variable for many businesses in maintaining business viability during times of decreased performance experienced over 2009. The levels of industry reliance on price as a key factor in business operations and the changeable local economic conditions influenced price fluctuations and was driving price competition. This was coupled with consideration of the individual business manager's position in the market and ability to maintain competitiveness through adjustments other than price adjustments.

Some businesses who had adopted strategies for the short term (to remain viable through the period of reduced demand) were already considering or implementing adjustments to prices and removing special promotions when this research took place, as sales were seen to be turning around.

Overall, two main factors were influencing the approaches of employers to price-setting:

- the flexibility, frequency and ease of adjustment of pricing for the product/service within the industry
- the degree of control that employers perceived they had over price-setting in the context of managing competitiveness.

Flexibility in pricing: ease of adjustment

In the Retail and Accommodation and food services industries, employers almost invariably mentioned adjusting prices on an ongoing basis to mediate demand. Price adjustments were seen as a regular part of

business operations and monitoring prices against (local) competitors was a common undertaking. Prices, sales extras or promotional deals were easily introduced with no industry structures or business parameters prohibiting fast implementation. These were frequently mentioned as a way of increasing revenue and thus maintaining viability, even if profit margins were reduced as a result.

While pricing movement was common, this was most evident in discussion of adjustment strategies employed in response to declining revenue and there was widespread evidence of under-cutting as a means of driving a higher volume of sales and maintaining competitiveness in 'price wars'. Price adjustments were made both directly (through price decreases), and indirectly (through sales and promotional 'added extras'). While seen as a 'necessary' measure to maintain turnover, price-cutting was reported to have considerably eroded the profit margins of many businesses caught in such heavy competition.

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

'I try to keep in line with other services when setting fees; however, I charge more than others because I provide higher staff: child ratios. It is entirely up to [me] (or any childcare provider) to set fees.' [Employer, small, HCSA, Sydney]

'All fees, except for the amount of accommodation bond, are set by the Australian Government. There is little room to vary the prices in aged care.' [Employer, medium, HCSA, Sydney]

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

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

Competitiveness and control over pricing decisions

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

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

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

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

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

3.4 Operating costs and cost control

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

3.4.1 Labour costs

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

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

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

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

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

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

3.4.2 Other costs

Overheads and business costs other than labour were not generally considered to be as controllable by most employers. Rent and utilities were generally viewed as non-negotiable expenses, though a few employers did speak of negotiating rent, or considering a move to cheaper premises. The main exception was controlling inventory levels, which many employers had adjusted in response to falling demand. Businesses noted that they would regularly adjust costs when necessary and feasible. During the downturn, this was an area of increased focus aimed at minimising pressures on profit and to maximising cash flow:

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

Examples of cost-related adjustments included:

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

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

'We saw significant blowout in debtor collections from something like 45 days to 60 days. That had a significant effect on our cash flow. We didn't sack anyone but got close. We needed to alter our

overdraft arrangements with the bank. We tightened credit control. We managed spending very tightly.' [Employer, small, ASS, Melbourne]

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

'We did cut back on our ordering, and just ordered for one quarter at a time, rather than large orders (e.g. carton boxes, shrink wrapping), that would absorb large cash flow unnecessarily ... larger volume is more effective for unit pricing benefit, but I think I will still set quarterly ordering only for cash-flow efficiency in the future.' [Employer, micro, Manufacturing, Melbourne]

The degree of control that employers felt over the cost of inventory varied. Some felt they could switch or negotiate with suppliers with relative ease or make adjustments to their supply chain in order to reduce costs. In contrast, others felt that they were unable to source inventory at a lower cost. Competition was also a factor that influenced wholesale prices and purchasing power.

3.5 Productivity, efficiency and work design

3.5.1 Importance of labour productivity

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

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

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

Approaches taken to increase productivity included a range of strategies; however, productivity levels were described by most employers in terms of output according to labour costs. Non-labour factors influencing productivity received little comment.

3.5.2 Productivity through staff selection

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

‘Now it’s the school holidays so I’ve got juniors I can use, utilise, for cheap—I’ve got a 15-year-old coming in for three hours today, that costs me about \$27, whereas for an adult that would cost me \$60.’ [Employer, small, AFS, Cairns]

While skills and experience were factors, work ethic and value to the business in the longer term were also considerations when determining which individuals would be used in which roles. Some employers reported that the need to downsize or reduce hours had allowed them to ‘weed out’ less productive employees.

3.5.3 Encouraging greater productivity

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

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

3.5.4 Work redesign for greater efficiency

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

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

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

'Generally employers are looking to employ more skilled workers; it costs more but greater efficiency and hopefully productivity results ... In response to a divisional review to decrease revenue, I implemented a review of staffing within the finance team, to move from unskilled to qualified finance staff and save 1 FTE in the process ... Aimed as a long-term efficiency gain. Proven to be extremely effective and maintained.' [Employer, medium, HCSA, Adelaide]

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

In addition to changes employers had introduced, employers generally observed that staff increased their work effort to ensure their own incomes. This was something employees attested to—they drew direct links between business performance, their own productivity, and the security of their employment and income. Few employers noted any 'backlash' in terms of negative sentiment among existing employees and several noted that employees 'understood' the reason behind efforts to increase productivity. This was, however, in contrast to findings reported from some employee participants who, while understanding the need for change, were not always content with their resultant work arrangements and the increased pressure in the workplace (see section 4):

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

3.5.5 Training to increase productivity

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

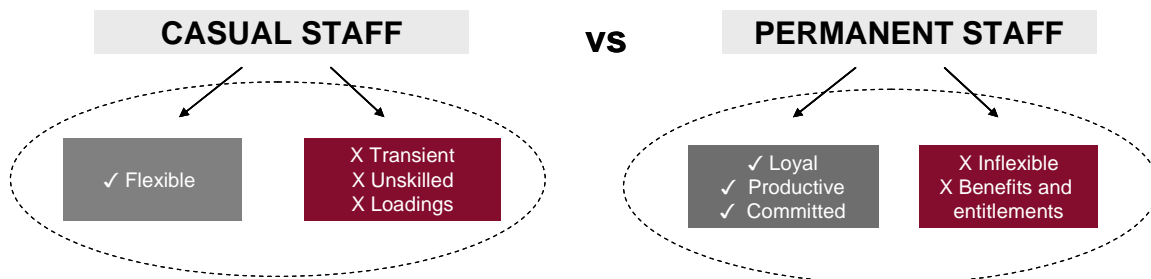
'The best change was to really provide some expert training so that there was no excuse to (not) be performing. This had a great impact in regaining their confidence and generating more sales.'
[Employer, medium, ASS, Sydney]

See section 3.6.2 for further discussion of approaches to training.

3.6 Workforce management and development

3.6.1 Workforce structure

Approaches to workforce structure varied considerably. The considerations influencing decision-making included: operational needs, the level of importance placed on service quality, government regulations and employee preferences. The most common strategy considered was the use of casual labour. Differing operational needs were largely reflected in preferences for casual versus permanent staff. For employers in the Retail and Accommodation and food services industries, fluctuating levels of demand required flexibility. This was the main consideration for structuring their workforce with significant preferences for casual staff.

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

Employers across all industries spoke of weighing the added flexibility of casuals against other concerns, notably a greater sense of stability afforded by permanent staff, extra costs associated with casual loading, and the preferences of staff themselves. Some employers believed that permanent staff would be more productive; they felt that permanent staff were likely to approach the job with a greater sense of responsibility. As such, employers operating in industries with more stable demand tended to opt for permanent workers.

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

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

Many employers had reassessed workforce structures during the economic downturn. Some had made changes that they intended to keep in the long term, the most notable being an increase in the number of casual staff employed rather than permanent staff. This appeared to be driven by a goal of ensuring increased flexibility, and in many cases was underpinned by uncertainty about business performance in the coming months:

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

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

3.6.2 Training and skills development

Most employers offered employees training at some point during their employment. There was considerable variation in the level of formality, as well as in the role training played in the business employment strategy. The likelihood of employers investing in training was closely related to their expectation and experiences of staff turnover. Many employers linked training opportunities to staff retention. Employers who expected a high degree of workforce transience typically preferred to hire experienced workers requiring little training. Only a minority of employers explicitly stated that they tried to minimise their investment in training during the downturn, generally in the context of preferences for higher skilled staff rather than lower skilled staff:

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

'We don't employ a lot of juniors, because we prefer to have people that can just step into it and know what they're doing.' [Employer, small, Retail, Melbourne]

At one end of the spectrum were employers who offered minimal training 'on the job', typically as part of an orientation process. This approach was typical of employers of low-skilled or unskilled workers, and in smaller business with less formal management structures. These employers considered training as a means of ensuring employees achieved a certain level of productivity, but did not view it as ongoing, or as important for the long term development of their workforce:

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

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

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

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

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

Some businesses used formal training mechanisms as a means of acquiring skilled workers. This tended to occur in businesses employing people in areas of traditional skills shortages, such as childcare workers and

tradespeople. These employers believed this investment pay off in the long term, through developing a skilled employee who would (hopefully) remain loyal to the business:

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

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

There was little evidence that employers had reduced investment in training as a means of cutting costs during the economic downturn. Several noted that maintaining service quality through training was especially important given the economic environment. In a few cases, training had even been increased in order to advance a business strategy based on service quality:

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

3.6.3 Recruitment and retention

Employer and employee participants alike described conditions of relatively low demand for labour throughout 2009. Employers described receiving large numbers of unprompted applications for employment, and receiving numerous applications for any advertised vacancies. Among employees, opinions of the ease of labour market entry differed across labour markets. Job security was a salient consideration for employees and risk-averse behaviour was frequently described. Apprehension about obtaining, and importantly, retaining alternative employment led many to compromise and remain in their current position, despite changes to their role and/or employment conditions that may otherwise have prompted them to move on.

Reducing the overall number of staff and the proportion of hours offered to casual staff was a common strategy used by business owners to reduce their wages bill. However, retaining ‘good’ staff was seen as critical during the downturn, as employers were concerned that high-quality employees with specialist skills would not easily be replaced. Consequently, cutbacks tended to target poor-performing or less valued staff. Employers also acted to keep good staff through measures such as directing staff to use leave credits, changing casual employment to permanent to give them stability, or moving to a nine-day fortnight.

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

Active approaches adopted for staff retention included offering training and development opportunities, rewarding good performance with pay rises or other bonuses on sales targets, and offering across-the-board

'perks' such as free lunches or mobile phones. Some employers used these measures for other reasons, notably to improve productivity, with staff retention as a secondary goal. Other employers did not have explicit staff retention strategies, but attempted informally to ensure (good) staff were satisfied. Many employers saw retaining 'good' staff as particularly important during the downturn, in order to avoid costs associated with hiring and training staff members, to ensure existing levels of productivity were maintained, and to ensure extra workflow could be easily covered should demand increase.

As businesses began to see revenue increase, albeit not to the previous levels seen in 2007 and 2008, employers sought workers. Many who had cut staff numbers through attrition or redundancies had, triggered by an increase in revenue, hired new employees in the few months before this phase of research. However, recruitment intentions remained cautious. Employers generally expressed reluctance to hire due to uncertainty about future business performance.

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

Employers generally displayed a preference towards seeking more highly skilled/qualified workers, both because of these employees' ability to deliver increased efficiencies within their business, and due to the increased availability of skilled applicants. However, the skilled labour market was still tight in some occupations.

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

3.7 Wage-setting arrangements

3.7.1 Wage determinants in a slowing economy

Many businesses had a mix of employment arrangements and wage determinants, and referenced a number of awards in setting pay rates across their workforce:

'Pay and conditions are set based on type of work/skills/performance and "market rates".'

For entry-level unskilled workers, where we will train them to achieve higher skills, we will start the

employee based on the appropriate award for the task. However, as skills and training are enhanced they are provided increases above the award. Apprentices and office juniors are paid as per the award—however once their apprenticeship is complete they are paid well above-award. Both these categories are structured and uniform and set according to meeting training and performance objectives. Supervisory, management, sales/administration and professional staff are paid according to the employee characteristics, performance and going market rate for similar positions. These positions are variable and reflect on the employee's performance, tasks, efforts and achievements.' [Employer, small, Manufacturing, Perth]

Some employers in the study paid minimum rates across their workforce, either paying the same rates to everyone to ensure equity and parity, or paying minimum rates only as they could not afford any variations. It was common, however, for employers to use some discretion when determining wage rates, and to set wages at an individual level. Typically, high-performing employees, who started at or close to the minimum, had their wages increased as their value to the business increased. Additional pay was afforded to 'good staff' that employers were seeking to retain. Employers generally referenced the award classifications and set pay rates according to the tasks performed, then financially rewarded loyalty, higher productivity and other qualities that did not translate into moving staff up to a higher classification. Employees who were paid at the minimum were generally 'unproven' employees, or those who required training. These employees were typically juniors, apprentices, graduates, new starters and trainees. Once employees had demonstrated value to the business and commitment to the job, their wages were usually increased:

'Because they are put on a trial basis, when they can prove they are capable of doing the work, the rates can be discussed further. Work performance, skill, attitude, hard work, attendance are all factors we take into consideration when paying above minimum levels.' [Employer, small, retail, Sydney]

This method of setting wages did not always result in employee wages increasing beyond minimum rates. Often employees perceived as poorer performing and casual employees remained on minimum rates for the duration of their employment in a business.

Market rates were also a key determinant for employers who paid over the minimum rate for some of their staff in order to obtain and retain better quality staff. Many employers reflected on a change in 'acceptable' wage rates, and a decrease in market rates accompanying the downturn in the economy. Starting rates were seen to be closer to the minimum and the prevalence of 'over award' rates decreased as a result of pressure on business operating profits. Holding back planned pay rises for non–minimum wage reliant areas of the workforce was an experience commonly reported by employers who were balancing the total wage bills with staff numbers:

'During the last building boom an unskilled labourer was earning around \$40/hr on building sites ... the award was around \$18/hr at the time. With the increased unemployment they have reverted back to award rates.' [Employer, small, Manufacturing, Perth]

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

3.7.2 'Wage bill' versus 'wage rate' management and negotiation

While employers decided to start new staff on minimum rates or did not pass on planned pay increases to existing over-award paid employees during 2009, only a handful of employers reported that they had reduced the pay rates of employees paid above minimum wages. In general, employers reduced their total wages bills by reducing hours, introducing nine day fortnights, rostering fewer overtime shifts and using permanent staff rather than casuals (to avoid penalty rates) or juniors rather than adults (to avoid paying higher hourly rates).

Several employers noted that generally employees have been eager to work overtime when demand is there, or to volunteer for extra hours whenever they are available. While permanent pay rises have not been feasible, some employers have used sales incentives or linked financial rewards to productivity to assist the business and employees to earn more:

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

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

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

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

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

However, employers saw the lower market rates as short-lived and soon to be changing (in line with signs of recovery). Some employers were already planning for pay increases in 2010 and many assumed that employees will be expecting increases:

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

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

4 The experience of employees in 2009

KEY FINDINGS

Changes to employment arrangements over 2009 affected employees through reduced working hours, increased work intensification and changes to shifts and overtime. Employees experienced reduced wages income as a result of these circumstances. Changes in attitudes to work were evident, with employees generally grateful to have employment. There was a sense of relief among employees, however, that the 'worst is over'. Many were optimistic about future opportunities and choices. However, many were very cautious in their decision-making about work and life.

Attachment to current employment and increased concern about job and income security were evident. For some this increased the acceptability of basic employment, wages and conditions, and limited mobility. Many were prepared to accept lower pay or less desirable working conditions, deferring decisions to change jobs, take up training or negotiate pay rises in order to get through the challenges of 2009.

The impact of economic change on the ability to meet the costs of living was evident, reflecting reduced income together with what were perceived to be constant increases in the costs of groceries, petrol and housing, and stagnant wages. Capacity to meet the costs of living varied in accordance with financial stability, and those living independently on low income with no alternative sources of income from parents or partners were particularly challenged to meet these costs.

A range of strategies were used to respond to the changes in working arrangements and income, including employment-related strategies such as working multiple jobs or alternative hours. Employees also made changes to budgets, debt management, discretionary spending and savings in order to manage on reduced income.

Considerations supporting decisions to work and the level and nature of workforce participation varied according to the situations of employees. Changes to working conditions and the related issues impacting overall income and quality of life were important factors when considering the benefits of working. In particular, employees in the lower range of income dispersion or in employment which was casual and highly changeable (or alternatively, inflexible) found that their work could be sometimes inhibit aspects of social inclusion. Maintaining incomes above government allowances and access to benefits such as childcare rebates were also important considerations for employees in the lower range of income dispersion.

4.1 Current attitudes and decision making

The strategies put in place by business to adjust to changing economic conditions over 2009 had varying levels of effect on the employment conditions and income, and consequently the lifestyles, of minimum wage-reliant employees. These experiences and how they influenced attitudes, decision-making and behaviours over 2009 are detailed throughout this section of the report.

When this research was conducted most employees were optimistic about the future, predicting that the upturn in the economy would continue, with flow-on effects to the labour market, and, in turn, working

conditions. However, decisions about life and work appeared to be tempered by at least some consideration of economic volatility. There were wide-ranging opinions about how strongly and how quickly the economy would recover and how long it would take for improvements in business performance to translate into more favourable conditions for employees. This cautiousness continued to influence decisions about work and mobility as well as spending and cost control. Examples of this include decisions about:

- **Employment:** As control in the labour market was generally thought to remain with employers, most employees intended to maintain their current employment arrangements for the foreseeable future:

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

- **Spending habits:** Employees were maintaining conscious control of their spending patterns and levels of debt. They remain wary of making 'rash decisions' in what was viewed to be a precarious economic climate. Further, the likelihood of rising costs in 2010 was a significant concern, particularly for homeowners:

'I am positive but cautious. I am a homeowner so interest rates are a big concern for me. I think that we have been lucky in Australia not to have been hit too hard by the global economic crisis. I think everyone will be a lot more conscious of what they are spending and will try to budget more rather than put things on credit, businesses will probably be less inclined to hire staff on a full-time basis until there is some real improvement in the world economy.' [Employee, female, 18–25, regional South Australia]

'Everything has gone up this year. I've noticed a big hike in groceries. Petrol has gone up, rates have gone up and the electricity has gone up. Everything has gone up.' [Employee, female, 35–55, Cairns]

4.2 Changes to work in 2009

4.2.1 Availability of employment

Change in the economy was thought to have brought about what most considered a highly competitive labour market that clearly favoured employers. There was significant variation in assessments of job opportunities across labour markets reflecting different rates of unemployment. For example, in Cairns, participants recounted stories of mass redundancies and people moving elsewhere to find work, while in Melbourne, discussion mostly focused on a more general 'lack of favourable employment opportunities':

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

'Well, the hairdressing [job vacancy] listings used to be like a column and a half, and now they're just like a third of a column, and there's not much there at all.' [Employee, female, 35–55, Melbourne]

As this research targeted minimum wage–reliant employees, the sample did not include unemployed job seekers. Therefore, these findings reflect the experience and views of participants that are employed in some

capacity. Discussions about the labour market and job opportunities generally focused on concern about the availability of 'desirable' employment, rather than the availability of 'any' type of employment. Participants generally felt that employment of some sort was not hard to find and felt quite confident in the labour market to this end. They pointed to greater challenge in sourcing employment in specific industries or occupations, or with adequate hours or conditions. Participants who had sought alternative employment reported having to compete with high numbers of other applicants, some of whom were clearly over-qualified.

Indeed, there were many examples of occupational underemployment among participants. Several participants who had recently changed employment claimed that they had been forced to compromise, applying for and accepting jobs that in more favourable labour market conditions they would not have considered:

'At the same time as I'm working, I'm looking for other work ... I'm a Cert IV which is better money, but I'm doing Cert III ...' [Employee, female, 35–55, Melbourne]

To some extent, this created resentment toward unemployed people, as though not working reflected unreasonable caveats in their employment choices:

'I think sometimes there are jobs out there, but people don't want to take them because they don't want to do that kind of work. Or sometimes we're a bit fussy when, if you need a job, you need a job, that's the way I see it. Might not be the greatest thing in the world, but at the end of the day you've paid your bills, well, you've got to get by ...' [Employee, female, 18–35, Melbourne]

Across locations, employees with fewer skills or limited experience, and other impediments to work such as a disability or poor English skills, felt most vulnerable in the labour market. These employees clearly had fewer choices available; they felt threatened by the ready supply of people looking for work and conscious that they could easily be replaced:

'When I was having counselling last year for my daughter, the counsellor said, "What about your job?" So I started telling him a bit about how they treat me and what they say to me and he goes, "Why are you still there?" I said because I can't go somewhere else. I have nothing.' [Employee, female, 35–55, Cairns]

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

Nonetheless, reflecting the cautious optimism observed about the state of the economy, it was widely felt that employers' firm hold over the labour market was gradually loosening and would continue to do so over the course of 2010:

'I am feeling positive about the economic climate. I think things are going to improve in 2010 in the sense that more jobs will be generated. I think our decisions are influenced because we may feel more secure. For example during the peak of the GFC (which is hopefully behind us) we might have been happy in a low-paying job. But now that things are improving and more jobs are being generated we

might be willing to negotiate [with] the employer for better working conditions.’ [Employee, female, 18–25, Melbourne]

4.2.2 Working patterns and arrangements

Economic change in 2009 affected the working arrangements of many of the minimum wage–reliant employees in this study, as employers took steps to reduce costs and increase productivity.

Specific working arrangements varied depending on life-stage and situation, as well as on the state of the local labour market. Employees with heavy financial commitments prioritised income and tended to work long hours, taking advantage of overtime and penalty rates wherever possible. Others had more than one job such as multiple casual jobs, or one permanent job with a casual job, to supplement their permanent wage when required. Some participants claimed to work in excess of fifty or sixty hours per week. Other employees worked part-time hours either as a permanent arrangement, or (more often) on a casual basis. Students and carers supported by partners or parents often preferred shorter hours to allow time for parenting or study, and/or for a more desirable lifestyle.

It was evident that for some employees, the level of choice over working hours they had previously experienced was diminished as a result of the downturn. In many cases, changes to working hours resulted from employer actions beyond the control of employees. Examples of this included:

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

The decline in business performance and associated lower levels of labour demand, together with instability in the labour market, had clearly made it difficult for some employees to retain their hours of work or to gain more hours. There were many examples of work hours being reduced, particularly from participants employed on a casual basis.

Permanent employees also reported changes to their hours, most commonly cuts to overtime or short-time arrangements.

Younger employees generally continued to work limited hours or only hours that fitted in with study or social arrangements and appeared comparatively less concerned about forced reductions to working hours.

The downturn highlighted the precarious nature of casual employment for many participants in this research. While for employers, the flexibility offered by casual employment arrangements became more widely appreciated, for employees, this same flexibility increasingly became cause for concern. In more prosperous times, many employees (particularly those with commitments to parenting or study) benefited from the flexibility of casual employment—from being able to ‘pick and choose’ shifts to suit their lifestyles, and from higher hourly rates due to casual loadings. While this was still the case for some participants, for employees in areas and industries that had been strongly affected by the downturn, control of the labour market had

shifted towards the employer, meaning that this freedom to 'pick and choose' was no longer available. Rather, casual hours were determined to suit the requirements of the business, and as business performance declined, shifts were cut. As a result, for many employees, casual work became far less attractive and the stability of permanent work, be it full-time or part-time, was strongly favoured:

'[I would like to work] a minimum of 20 hours a week. Only because my minimum at the moment is 8 hours a week since I'm casual. I would like to become part-time. Working a certain 20 hours a week would give me more of a chance to have a social life, I cannot afford to do anything at the moment.' [Employee, male, 18–25 years, Brisbane]

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

In some labour markets, however, skills shortages persisted—particularly in Health care and social assistance. These employees had more capacity to determine the nature of their employment, and some favoured the higher hourly rates and associated conditions of casual arrangements.

4.2.3 Working conditions and work intensification

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

Many employees described a strong focus on productivity and increasing work effort in their workplaces. This was often the result of fewer staff available or assigned to undertake tasks, but was also the result of changes to business operations. Employees felt pressure to perform tasks more productively. This pressure was compounded by increased competition within the workplace as employees vied to gain favour with their employer to protect themselves from shift-cutting and redundancy:

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

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

For most employees in the study, productivity gains were expected to be delivered through increased work effort, rather than through using different or better techniques to perform tasks more efficiently.

Some younger employees who had been given more hours noted they were now required to perform the role of more experienced colleagues, to work harder, had greater responsibilities or a diversified role.

4.2.4 Wages

Wages of many employees in the study had been adversely affected in 2009. This was predominately through a reduction in the hours they worked or a reduction in hours that attract penalty rates, but also in some cases through accepting a job which paid lower rates than their previous employment.

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

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

As the wages of more highly valued staff who were previously paid above the minimum edged closer to the basic hourly rate, these participants were increasingly concerned about competing for shifts, as wages for higher performing and highly valued staff were now comparable to their wages.

Some younger employees in casual positions had found more hours were available, and thus more income.

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

'I've got to be careful too. If I earn too much then I'll hardly get any Centrelink benefits so then again why should I want to go any higher?' [Employee, female, 35–55, Cairns]

Wage negotiation

Overall, inclination to negotiate wages above minimum rates tended to reflect participants' confidence about their own employability and perceived security in their employment, as well as the state of the labour market in their area and industry. Reflecting the sense that employers retained 'control' of the labour market employees in the study were generally willing to accept lower pay and less desirable conditions in order to obtain and retain employment. This attitude extended to less confidence in negotiating rates of pay.

This was most pronounced among employees with limited skills and experience in areas with high levels of unemployment. These employees, while often dissatisfied with their rate of pay, were concerned that attempted negotiation would result in an unfavourable outcome, or that by 'rocking the boat' their vulnerability to shift-cutting or redundancy would increase:

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

Employees with greater self-assurance about their employability appeared to be willing to negotiate higher wages. Many in the study highlighted the importance of having marketable skills to this end:

'It comes back to what the employer is willing to pay you for your skills. If you can earn a fixed amount and they're only able to pay you this amount, well that's where you can go through it with an employer. That's when you have an upper hand if you've got the right skills.' [Employee, male, 35–55, Wagga Wagga]

4.2.5 Attachment and mobility in 2009

Overall, labour attachment and mobility were influenced by an interplay between motivation and opportunity. Some employees in the study had high aspirations and saw their current employment as a stepping stone on their career path, whether that was 'moving up the ladder', or building their skills to obtain employment elsewhere. Career development was not a priority for others, particularly for employees whose motivations for work focused more on lifestyle, and particularly among employees who saw their employment as a support for other pursuits, notably parenting or studying:

'I'm here to stay. Like I've had one of the partners say to me are you going to become a secretary later on? I went no, I'm happy being a little mushroom. I'm reception and I enjoy what I'm doing. I don't want to go any further. I've been there, done that. No, I'm happy where I am ... Sometimes the secretaries have got to pump through that work and sometimes they've got to stay back. While I've still got a two year old—I'm just really happy where I am. I've been a manager before, I've been a secretary before and I'm just happy where I am. I finish my job and go home.' [Employee, female, 35–55, Cairns]

Motivation also appeared to have a significant influence on attachment. Some employees, though not entirely satisfied with their employment, were deterred by the effort of seeking and applying for new jobs:

'Don't we always think that the grass is always greener. Every single time you change jobs, oh it's going to be so good, or whatever. It's really not, every job's crap. [Laughs] Everyone's alright, at the end of the day you're working.' [Employee, female, 18–35, Melbourne]

Others aspired to alternative employment, but faced impediments presented by their employability, life situation and/or a competitive labour market.

The employability of participants varied considerably reflecting differences in qualifications and skills, education and experience. Similarly, reflective of age, life-stage and circumstance, experience in the workforce also varied considerably. Younger people starting out (including those who were currently studying), new immigrants, and those returning to the workforce after an extended absence tended to have little work experience. This influenced the extent to which they could make decisions about their working arrangements, and as such, supported attachment to their current employment:

'I've been trying but because I don't have any qualifications for anything I'm finding it very difficult. I mean I was grateful when I got this job because I haven't worked, as I said, for 18 years. Everything is

different now. The systems are different. You know I was a secretary before and I was also studying to be a librarian and never finished it. So now here I am at the bottom of the ladder again in my 50s and I have been looking for other work but because I don't have the qualifications I've been knocked back.' [Employee, female, 35–55, Cairns]

Attachment was also influenced by family situation and circumstance. Some participants were financially vulnerable as primary income earners or sole income earners, usually with dependants, and/or residing in areas with high levels of unemployment. Generally, having heavy financial commitments led to having more than one job, or working very long hours. Some of these employees were strongly motivated to change occupation or move out of their current employment, but limited time and resources for training made this difficult. By contrast, younger employees without dependants had far greater flexibility.

The most significant influences on employment attachment in 2009, however, were both the attitudinal and practical barriers brought about by an uncertain labour market. This instability influenced employees' decisions about work by underlining the importance of job security, as well as in a practical sense by limiting job opportunities in many markets.

Indeed, in the context of labour market change, job security emerged as a salient concern for minimum wage-reliant employees. The prevalence of redundancy and shift-cutting over the past twelve months magnified the seriousness of the situation, as speculation about the impact of economic change on 'you and me' became reality. Further, employer expectations of productivity increased and there was apprehension about ensuring that these were met:

'It's probably not a good time to change employment either I don't think, because there's not as many opportunities out there.' [Employee, female, 35–55, Melbourne]

'By hearing [about] their pressure [employers], that's also pressure—hearing their stress, that's emotional blackmail that you need to, you know, pull through because they've got all these dramas happening. It's like—it's just another form of cracking the whip.' [Employee, female, 18–35, Melbourne]

Attempting to change employment in such a climate was considered risky. New recruits were identified as a natural target for businesses needing to cut costs, and, although the economy was felt to be strengthening, its recent volatility indicated to participants that the situation could change at any time.

4.2.6 Different forms of labour mobility

Though overall the uncertain labour market led many employees to feel apprehensive about changing employment, several participants had recently started new jobs and others planned to do so in the future. There was a sense that it was 'healthy' to move across employment, to gain exposure to new environments. Allied to this, younger employees saw benefits in 'sampling' different types of employment, as a means of deciding potential career paths.

Mobility took various forms. Generally, if transitioning to employment with a similar pay bracket, typical motivations included working conditions, career development, enjoyment and stimulation, colleagues and socialising, and work-life balance, as well as practical considerations such as working arrangements, hours, location and transport. These factors were also considered in transitioning to employment paid at a higher rate, though income was also an important consideration in this case.

The research did not explicitly explore differences between motivations for, or barriers to, moving into a higher paid classification of minimum wage–reliant employment and transitioning into a situation where wages received for a similar role were above minimum rates. However, unprompted participant comment suggests that these may be broadly similar. Those who aspired to move ‘up’ in any sense, were inevitably motivated by finances, career development and job fulfilment, and faced a range of barriers, including limited employability, skills and experience, constraints reflecting their personal situation, and (of particular note in 2009) an often very competitive labour market.

Nonetheless, it is possible that mobility within the same workplace is less difficult for employees; this may be facilitated by employer-supplied training, and policies around staff development. This, and other related issues, will be explored more comprehensively in phase 2 of the research.

4.2.7 Training and development

Training was considered a conduit to both better paid and more desirable employment. Personal investment in training tended to be most common for participants at life ‘transition points’, for example, participants who were entering the labour market after a period of absence, whose hours had been cut, who were facing increased financial pressure as a result of loss of household income, who were starting a family, and whose children had started school. The life changes either implied or brought about by these situations triggered consideration of employability, career aspirations and job or income security, and/or opened up new opportunities. The value of training was clearly strengthened in the context of a competitive labour market, as the vulnerability of employees’ working situations to economic change was exposed:

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

The benefits of training were widely recognised, and many participants had undertaken and paid for training of various types, from formal long-term courses such as trade accreditation and university degrees, to shorter-term courses for skills building and updating. More aspirational employees, particularly younger employees and the participants looking to change careers, were motivated to invest in more comprehensive vocational training as a result of the career opportunities this was thought to offer. For others, motivations focused on increasing and maintaining employability. Concern about the impacts of the labour market on job and income security clearly acted as a strong driver for uptake. Participants who did not aspire to move out of their current minimum wage–reliant employment arrangement saw training as important to maintain skills; protect themselves from replacement by younger, newly trained graduates; and potentially to ensure that they would be able to find work in the event of change to their employment situation:

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

'Once I finish this certificate that I'm doing which will put [me up] to a higher grade secretary, then I'll study another level into accounting, so just move up the ladder a little.' [Employee, female, 18–35, Wagga Wagga]

'I've had enough in my area, because I'm actually studying, I'm sick of this job. Customer service where you feel like you're not appreciated for what you do. You're just someone on the register ... I'm studying, so yeah. I'm almost out of there, next year.' [Employee, female, 18–35, Melbourne]

Though many employees in the study displayed positive intentions about investment in training, the extent to which this translated into uptake varied, influenced by employees' situation and/or attitude. The costs and time required to complete training meant that it was not a viable option for those in the research with heavy financial commitments and/or young children. Many intended to study in the future, as soon as their situation permitted. Others were more apathetic—they were put off by the potential loss of income in the short term, and claimed that they would complete training when the 'time arose' (highlighting the significance of transition points as motivators). A few unqualified participants in the study showed a degree of cynicism about formal training, claiming that training 'on the job' was far more valuable or that increasing their qualifications might price them out of the market. This attitude, however, appeared to be largely reflective of defensiveness about their life choices:

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

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

Participants also received training through their employer, either casually 'on the job', or to a lesser extent through formal courses and accreditations. This was valued by employees, who appreciated the benefits of building a variety of skills that would enhance their employment prospects in various markets, and thereby help them to avoid becoming 'stuck'.

4.3 Strategies for responding to changing employment

While appreciative of being in employment generally, changing employment conditions contributed to pressure and stress for employees. Concern over job security led many employees to have a cautious outlook regarding spending and labour market mobility decisions which may otherwise improve their quality of work and life.

In a similar manner to employer adjustment strategies, employees sought to respond to changes using a wide range of approaches. Some sought to increase income while others sought to control expenditure. Many used multiple strategies to maintain living standards and quality of life or to simply 'make ends meet' through changing circumstances. Others who may not have been directly affected by employment changes

also used cautious approaches such as curbing spending and enhancing job security in a similar manner to those more directly affected.

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

It is important to consider the diversity of minimum wage reliant–employees when determining their ability to meet living costs and the level of adjustment required to respond to decreased wages. Minimum wage reliant–employees in the study were in varying socioeconomic circumstances and thought about the costs of living in different ways. For some ‘living costs’ referred to housing and essential food (groceries), transport, utilities and services (healthcare, childcare); for, others living costs extended to include purchases to ‘enhance’ their lifestyle rather than just to facilitate living, including, for instance, money spent on socialising or private school education:

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

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

Similarly, there was wide variation in the nature and, by extension costs, of ‘essential’ expenses. For instance, while for some, housing costs comprised paying rent on a studio apartment, for others this meant repaying a mortgage on a three-bedroom house. While transport costs sometimes referred to public transport, for others this meant running a family-sized car. For some the instability of the labour market and changing circumstances had lead them to reassess what was essential and what was discretionary spending. Having a more a secure or ‘base income’ made this process easier, as outlined in the following example:

‘Yes, this year I have been working varied hours covering sick leave [and] holiday of other staff, my husband’s work situation has not been stable but next year is looking better, with at least one of us (me) working full-time ... [M]y husband is job hunting but still working part time ... [W]e will at least have a base income to work from and will be able to budget better, because we will know what amount to expect each week. In terms of living expenses, they are ever–changing, our son is almost one and the cost of things like nappies and formula can get ridiculous. I make all his food so that is one less expense ... I was going to use cloth nappies but I’m just not that much of a saint, so that is an expense I am willing to fork out for.’ [Employee, female, 18–25, South Australia]

While the consideration and definition of ‘basic’ expenses varied by individual, overall there was consensus that costs had risen considerably in the past twelve months, while wages had not ‘kept up’. Commonly cited living costs that were thought to place most pressure on households included:

- Groceries, which were thought to be becoming increasingly expensive. Some claimed that the downturn had served to inflate prices, by removing competition so that the 'big players' could charge more.
- Housing was also cited as a rapidly increasing expense, particularly for those in urban centres (Melbourne). Many asserted that increases to both interest rates and rents were putting a great deal of pressure on households.
- Petrol prices, which were thought to be ever-increasing.
- Utilities: the costs of electricity and gas were also thought to have risen.

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

- Transport: Those who had to travel a great deal to and from work were particularly sensitive to both petrol prices and costs of public transport, both of which were thought to have increased.
- Childcare: Childcare was perhaps the most significant cost of working for those with young children, to the extent that for many it served as a disincentive to work.

While most participants claimed that it was difficult to meet their living costs, it was evident that employees on lower wages who were not supported by other means—particularly those with dependants—found the changing employment conditions the most challenging. Employees on higher wages, in dual income households, and/or without dependants, were also critical of living costs. However, their challenges were in maintaining a certain lifestyle, rather than basic needs.

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

4.3.1 Employment and income related strategies

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

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

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

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

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

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

- **Working harder or increasing productivity:** by changing work ethic, working harder, or expending more effort at work. This was prompted by concerns over business viability as well as employees' desire to be regarded as 'good workers' resulting in more or better hours, or in retaining their jobs:

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

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

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

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

'My income helps because we've put our three sons through private education and it certainly helped when my husband lost his overtime and we took it as a bonus and not as, "it's coming".' [Employee, female, 35–55, Wagga Wagga]

The research did not examine any strains this may have placed on the alternative sources, or on household income as a whole. For several young people in the study, their own income was generally used for discretionary spending or savings, with continued dependency on parents for meeting living costs. Where their wages decreased, reliance on parental income increased.

4.3.2 Expenditure and living standards

Closely controlling expenditure and limiting expenses were common adjustment strategies adopted by participants in cases where wages income was reduced. For some, the impact of the economic downturn had led to more considerable 'tightening of belts' in relation to perceived luxuries, and the disposable income they received from their job was used to shore up household finance if income had been lost elsewhere (e.g. main income reduced, loss in superannuation fund etc.).

The main adjustment strategies used to respond to decreased wages included:

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

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

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

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

- **Increasing reliance on debt:** some participants needed to rely more frequently on credit cards, using extended payment periods or seeking loans to meet existing expenses. This included using credit to meet essential living costs and services such as food and utility bills.

Experiences and strategies related to lowering expectations or standards, or delaying improvements to work and lifestyle included: postponing leave or holidays, reducing non-essential purchases, reducing ongoing leisure activities or choosing cheaper alternatives:

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

Strategies related to compromising work and career choices included:

- **Delaying or not considering mobility or career transition:** with limited opportunities, employees were wary of testing the ‘unknown’ of alternative employment and instead were remaining in their current employment:

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

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

‘Yeah, trial.’

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

[Employees, female, 35–55, Melbourne]

- **Accept less desirable working conditions:** participants were pessimistic about their employment options, asserting that in many markets, there were few desirable jobs available. Moreover, a perceived increase in casual employment opportunities was seen as indicative of a more ruthless attitude to staffing among employers:

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

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

'There's work always there but no one's willing to pay a decent wage; they're all tight, all in for the money for themselves really. So you're basically just slaves.' [Employee, male, 18–35, Cairns]

There was a sense of frustration among some participants about having to employ strategies to meet their essential living costs. These participants felt that regardless of economic conditions, wages should enable people to meet their costs of living without having to make significant compromises:

'It's never enough really, you always want more and compared to the cost of living it's a real struggle.' [Employee, male, 18–35, Cairns]

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

4.4 Workforce participation and social inclusion

4.4.1 Aspects of workforce participation

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

It is important to note that many of the aspects of working in minimum wage–reliant employment identified through this research are not necessarily specific to being paid a minimum wage, and likely apply universally to being in employment.

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

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

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

'I find the people I know who are working are a lot happier than the few I know that sit at home on Centrelink benefits.' [Employee, female, 18–25, South Australia]

Employees detailed a range of benefits associated with minimum wage–reliant employment, which facilitated social inclusion, and were viewed as positive benefits of workforce participation. These ranged from fairly basic features—such as the financial means to live, engagement with others and a sense of identity and purpose—to having a greater degree of freedom and more lifestyle choice, and friendships, happiness and independence.

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

While many findings may equally relate to minimum wage–reliant employees and employees under different arrangements, there are some specific nuances being in a lower range of income dispersion of minimum wage reliant employment which have greater bearing on, and implications for, employees capacity to remain in, or increase employment. It is important to note that as outlined in the introduction to this report, the sample of minimum wage–reliant employees in this research were generally in the lower range of income dispersion. Aspects of, and potential differences between, a broader range of minimum wage–reliant employees will be explored further in phase 2 of this research.

While not representative of the full range of minimum wage–reliant employees experiences, the experiences of employees in the lower range of income dispersion remain relevant for highlighting the considerations associated with workforce participation decisions. Where information is relevant and available, differences between employees in relatively high income dispersion and lower income dispersion are highlighted. Three main areas are discussed:

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

Income to access resources

In terms of an income safety net, a minimum wage rate which provides discernable financial gain compared to being 'on welfare' was strongly articulated as important when making decisions about work participation:

'I was on Centrelink for a while when I finished school and wasn't really interested in having a job. There was enough money there for me to do some of the things that I wanted but I didn't really have a high standard of living at the time.' [Employee, male, 18–35, Wagga Wagga]

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

However, as experienced by many participants employed on a casual basis, where there is no guarantee of a minimum number of hours of work, income is variable and unpredictable and can make budgeting to maintain standards of living very challenging.

The provision of income through wages directly affected all participants' level of access to resources. At a basic level, wages provided funds to pay for essentials such as housing, food, child care and so on. For many participants (though not all) working was considered a necessity to ensure essential living costs are covered. This was the experience of main income earners at the lower end of the earnings distribution, sole income earners, and often of those with dependants. Employment was a means for maintaining a certain standard of living (though sometimes at a struggle) and provide for dependants.

There were instances where changes to lower wage employment (i.e. reductions in hours worked, reduced overtime and penalty rate payments), coupled with increasing cost-of-living pressures, made it very difficult to access resources including goods, services and credit. Priorities for expenditure were necessarily essential needs and provisions. Limiting financial management practices were put in place in order to cover essential living expenses. For some it was 'a struggle', and a situation that had related implications for health, wellbeing and relationships as a result of increased stress:

'It just becomes a constant. You're always thinking of the other stresses that are paying the bills or this or that.' [Employee, male, 18–35, Cairns]

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

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

Accessing resources including childcare, and where applicable training, as well as other costs of working (including transport) were considered to greatly influence levels of workforce participation. Particularly for

casual employees in cases where changes in employment circumstances involved working shorter shifts, in the most extreme cases actual earnings from work did not cover the cost of getting to and from the workplace or the cost of childcare. This was reported to be a significant barrier to maintaining workforce participation:

'On my side of things, like finding out that childcare is going to be increased to between \$13 and \$22 a day more. So now I'm contemplating should I keep working or not work at all? Here is someone who wants to work but if they're going to be upping his fees and I'm not getting any support from my ex - and I'm sure I'm not the only one in that position so it makes it really difficult because my wage isn't going up. It is just crazy. It is just insane.' [Employee, female, 35–55, Cairns]

Work patterns and conditions of employment

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

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

The impact of these factors meant that for some, employment could be isolating, with hours and conditions leaving them segregated from their social networks. For others, these employment arrangements were considered to put added strain on health and wellbeing, particularly through the onset of stress and fatigue associated with long hours, work pressures and balancing these with other life demands. For some, this had appeared to increase during the downturn:

'I was actually being paid for what was essentially two jobs and I was doing a lot of excess hours ... I was almost running the car off the road and getting to Sunday night and getting headaches at the thought of having to get up and go to work the next day.' [Employee, female, 35–55, Cairns]

Employees also mentioned some of the physical demands of their work and the impact - either in the short term or long term - of this on their health. Also, employers increased expectations of productivity were placing added pressure on employees. These circumstances were considerations for workforce participation as employees balanced concerns over job and income security with work intensification and physical stress:

'If you've got a physical job, like a labourer or something, there's the physical strain on your body.'
[Employee, male, 18–35, Wagga Wagga]

'... extra pressure was placed to complete more work and take on extra tasks within the same job.'
[Employee, female, 35–55, Cairns]

Skills and personal development

Workforce participation provided opportunities for development of both work-specific and general life skills. Much of the focus of employee discussions in this regard was on developing job-specific skills to meet their current employer's requirements, rather than developing transferable skills and gaining qualifications. As much of the training received was delivered on-the-job, many employees did not have tangible evidence of their skills and skills development. Nonetheless, it was generally felt that gaining experience and maintaining, or (in some cases), developing skills facilitated longer term labour market attachment and mobility. Further, experience and skills development was generally thought to create opportunities, including opportunities to transition from casual arrangements to permanent employment, thereby increasing workforce participation. It was also thought to potentially increase employees' capacity to expect or demand higher financial reward for effort, either through commissions or through higher payments per hour worked.

Workforce participation also provided opportunities for developing broader life skills and personal aptitudes. This was more evident among younger employees, though not exclusively so. These personal skills were considered to strengthen employability, which in turn increased opportunity for workforce participation. However, there were some examples in which employment did not foster and encourage skills growth. This was evident in some workplaces where minimum wage-reliant positions (often-entry level, unskilled or low-skilled positions) attracted relatively little in the way of training and skills development, and involved repetitive and intense menial tasks:

'Anyone can do it is how I look at it. If you know how to use a computer and can talk to people.'
[Employee, male, 35–55, Wagga Wagga]

'I'm currently working in retail, and I don't enjoy it, main reasons being, I hate standing for long periods of time. This has led to ongoing back problems. Also, as I'm working in a hardware store, and being a girl, I have little interest in the company's purpose, also I'm surrounded by men and it's driving me crazy. Also, I feel I've been in retail for too long and need a change.'
[Employee, female, 18–25, Adelaide]

4.4.2 The decision to work

In essence, reduced wages as a result of business adjustments led employees to reduce both their living and working standards. Particularly for employees in the lower range of income dispersion with no alternative income sources to meet their living costs. While workforce participation was seen by these employees as fundamentally important for social inclusion, employment in these terms was also seen to be inhibiting access to resources, damaging health and self-worth, and restricting social relationships compared to fuller employment or alternative employment arrangements, hours and work design as previously experienced in more buoyant times.

Employees appeared to have lowered their expectations during 2009 with greater acceptance of lower overall pay, underemployment, or short-time or reduced casual hours. However, changes to working conditions, stress, and the related issues affecting quality of life were real considerations when weighing up the benefits of working or increasing workforce participation. The trade-off with government allowances was taken into account as the incentive to work diminished relative to the security of regular, albeit lower, income from allowances.

Appendix A—Recruitment specifications and fieldwork schedule

Recruitment

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

Employees

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

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

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

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

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

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

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

Employers

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

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

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

Sample breakdown

Employees

Table 2: Employee characteristics

Gender	
Male	22
Female	34
Location	
Sydney	2
NSW regional	17
Melbourne	17
Brisbane	2
QLD regional	12
Perth	2
Adelaide	3
SA regional	1
Age group	
18–20 years	14
21–25 years	10
26–35 years	9

36–55 years	23		
Industry	Occupation		Wage
RETAIL	Sales assistants	14	\$11.70–\$20.50/ hour
	Supervisors	1	\$19.77/hour
	Storeperson	1	\$21/hour
ADMINISTRATIVE AND SUPPORT SERVICES	Administration	12	\$17 –\$26.14/ hour
	Accounts/legal/bank clerks	4	\$17.86–\$31.30/ hour
	Cash processor	1	\$20.52/hour
	Commercial cleaner	1	\$17.95/hour
MANUFACTURING	Machinist (furniture)	1	\$15.89/hour
	Safety inspector (factory)	1	\$50,000p.a.
	Baker	1	\$18/hour
HEALTH CARE AND SOCIAL ASSISTANCE	Personal/aged care assistant	3	\$20.53–\$23.70/ hour
	Coordinator— disability services	1	\$29/hour
	Nurse	1	\$32/hour
	Childcare assistant	1	\$16.07/hour
ACCOMMODATION AND FOOD SERVICES	Waiters	3	\$17.50–\$20/hour
CONSTRUCTION	Plumber (apprentice)	1	\$9/hour
	Carpenter	1	\$14.28/hour

	Glazier	1	n/a
	Labourer	1	\$21/hour
	Sprinkler fitter	1	\$14.60/hour
PERSONAL AND OTHER SERVICES	Hairdressers	2	\$17–\$17.88/hour
TRANSPORT, POSTAL AND WAREHOUSING	Transport workers	2	\$19.50/hour
ARTS AND RECREATION	Gym instructor	1	\$18.65/hour
Employment arrangement			
Permanent	21		
Contract	1		
Casual	34		
Hours			
Full time	28		
Part time	13		
Variable	15		

Awards identified included the following.

Retail:

- Retail Industry Award
- Federal Retail Award
- Victorian Shops Interim Award
- The Shop and Warehouse (Wholesale and Retail Establishments/ State Award) State Award
- Shop Distributive and Allied Employees' Association – Hardware Retail Industry Award

Administrative and support services:

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

Construction:

- Plumbing Industry Award
- Transport Workers Award
- Building and Construction Workers Award

Manufacturing:

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

Health care and social assistance:

- Home and Community Care Award
- Health Employees State Award
- Social and Community Services Award

Accommodation and food services:

- Catering Victoria Award

Personal and other services:

- Hairdressing and Beauty Services Victorian Award

Transport, postal and warehousing:

- Transport Workers Award

Arts and recreation:

- Fitness Industry (Victoria) Interim Award

Employers

Table 3: Employer characteristics

Location	
Sydney	8
NSW regional	4
Melbourne	10
Brisbane	3
QLD regional	4
Perth	2
Adelaide	4
Industry	
Manufacturing	8
Accommodation and Food Services	5
Administration and Support Services	10
Retail	6
Health Care and Social Assistance	6

Size of business	
Under 10 staff	14
Between 10 and 50 staff	17
50–100 staff	6
Proportion of staff pay linked to award	
90%–100%	18
60–89%	7
Under 60%	10
Years in operation	
1–2 years	0
3–5 years	6
Over 5 years	28
Responsibilities	
Overall business performance	30
Recruitment and wage-setting only	5

Fieldwork schedule

Focus groups

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

Location	Age group
Melbourne	Younger
Melbourne	Older
Wagga Wagga	Younger
Wagga Wagga	Older
Cairns	Younger
Cairns	Older

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

Interactive online discussion forums (bulletin boards)

Participants on the younger employee board represented a mix of relevant variables in terms of hours worked, permanent or casual employment arrangements, and study commitments.

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

In-depth interviews

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