



# Research Report 3/2018

## **Characteristics of workers earning the national minimum wage rate and of the low paid**

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All research undertaken or commissioned by the Fair Work Commission for the Annual Wage Review 2017–18 has been agreed by the Minimum Wages Research Group (MWRG). The MWRG comprises a Chair from the Fair Work Commission, and representatives nominated by:

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

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

## Table of contents

<b>1</b>	<b>Introduction</b>	<b>1</b>
<b>2</b>	<b>Characteristics of national minimum wage earners</b>	<b>3</b>
2.1	Overview of literature on those earning the national minimum wage	3
2.2	Data and definitions	5
2.2.1	Defining employees earning the NMW rate	5
2.3	Characteristics of NMW earners	8
2.3.1	Personal characteristics	9
2.3.2	Employment characteristics	10
2.3.3	Business characteristics	11
2.3.4	Industry and occupation composition	11
<b>3</b>	<b>Characteristics of low-paid adult employees</b>	<b>16</b>
3.1	Data and definitions	16
3.2	Characteristics of low-paid adult employees	18
3.2.1	Personal characteristics	21
3.2.2	Employment characteristics	21
3.2.3	Business characteristics	22
3.2.4	Industry and occupation composition	22
3.2.5	Training, leave entitlements and other employment characteristics	24
3.2.6	Household characteristics	26
<b>4</b>	<b>Conclusion and summary</b>	<b>29</b>
<b>5</b>	<b>References</b>	<b>30</b>
	<b>Appendix A</b>	<b>31</b>

## List of tables

Table 2.1: Personal, employment and employer characteristics of NMW earners, 2016 .....	8
Table 2.2: Industry division of NMW earners, 2016 .....	12
Table 2.3: Industry division of NMW earners, by full/part-time status, 2016.....	13
Table 2.4: Occupation major group of NMW earners, 2016 .....	14
Table 2.5: Occupation minor group of NMW earners, selected minor groups, 2016.....	15
Table 2.6: Skill level of NMW earners paid at the adult rate, proportion by skill level, 2016 .....	16
Table 3.1: Personal, employment and employer characteristics of low-paid adult employees, 2016 .....	19
Table 3.2: Industry division of low-paid adult employees, 2016.....	23
Table 3.3: Occupation major group of low-paid adult employees .....	24
Table 3.4: Selected employment characteristics of low/higher-paid adult employees, 2016.....	25
Table 3.5: Relationship of low/higher-paid adult employees in household, 2016 .....	26
Table 3.6: Earner status of low/higher-paid adult employees of partners in couple households, 2016.....	27
Table 3.7: Housing tenure of employee households with low-paid/higher-paid adult employees .....	28
Table A1: Estimates of FMW/NMW earners from previous research .....	31

## List of figures

Chart 2.1: Distribution of hourly ordinary time cash earnings of employees paid at the adult and junior rates of pay, 2016, per cent (\$0.50 cent increments).....	7
Chart 2.2: Distribution of weekly ordinary time hours paid for NMW earners and all employees, per cent .....	10
Chart 3.1: Distribution of usual hourly earnings in main job of adult employees (\$0.50 cent increments), 2016, per cent.....	18

## List of abbreviations

2016–17 Review	<i>Annual Wage Review 2016–17</i>
ABS	Australian Bureau of Statistics
ANZSCO	Australian and New Zealand Standard Classification of Occupations
ANZSIC	Australian and New Zealand Standard Industrial Classification
AQF	Australian Qualifications Framework
Commission	Fair Work Commission
CURF	Confidentialised Unit Record File
DEEWR	Department of Education, Employment and Workplace Relations
EEH	Employee Earnings and Hours
Fair Work Act	<i>Fair Work Act 2009</i> (Cth)
FMW	Federal Minimum Wage
HILDA	Household, Income and Labour Dynamics in Australia
NES	National Employment Standards
NMW	national minimum wage
OMIE	owner-manager of an incorporated enterprise
Panel	Fair Work Commission’s Expert Panel for annual wage reviews

## 1 Introduction

This paper has been prepared as part of the research program to inform the *Annual Wage Review 2017–18*.<sup>1</sup> It aims to provide current information on characteristics of employees earning around the national minimum wage (NMW) rate as well as updated information on the characteristics of low-paid employees.

The *Fair Work Act 2009* (Cth) (Fair Work Act) requires the Expert Panel for annual wage reviews (Panel) to conduct and complete an annual review of the NMW and modern award wages and make a NMW order.<sup>2</sup> The NMW order sets the NMW,<sup>3</sup> the lowest legal rate of pay that applies to award and agreement-free employees in the national industrial relations system.<sup>4</sup> It also sets special NMWs for junior employees, employees to whom training arrangements apply and employees with a disability.<sup>5</sup> The minimum wages objective and the object of the Act apply to the review and making of a NMW order.<sup>6</sup> The modern awards objective applies to the performance or exercise of modern award powers, which include the variation of modern award minimum wages.<sup>7</sup>

As the Panel has noted in previous annual wage reviews, “the making of a NMW order and the review and variation of modern award minimum wages are separate but related functions”.<sup>8</sup> They are related because they both form part of the ‘safety net’,<sup>9</sup> and s.285(3) provides that in exercising its powers to set, vary or revoke modern award minimum wages, the Panel “must take into account the rate of the national minimum wage that it proposes to set in the Review”.<sup>10</sup>

In submissions to the *Annual Wage Review 2016–17* (2016–17 Review), the Australian Government provided estimates of the number of adults who are paid according to the NMW and noted that 45 of the 122 industry and occupation-based modern awards contain rates of pay equivalent to the NMW.<sup>11</sup>

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<sup>1</sup> [2017] FWC 4348; [2017] FWC 4194.

<sup>2</sup> Fair Work Act at s.285(2).

<sup>3</sup> Fair Work Act at s.294(1)(a)

<sup>4</sup> Fair Work Act at s.294(1)(a).

<sup>5</sup> Fair Work Act at s.294(1)(b).

<sup>6</sup> [2017] FWCFB 3500; this follows from the fact that the minimum wages objective applies to the performance or exercise of the Commission’s functions under Part 2-6 of the Act (s.284(2)(a)) and the review and making of a NMW order is one of the Commission’s functions under Part 2-6. The objects of the Act are also relevant to the performance or exercise of this function (s.578).

<sup>7</sup> Fair Work Act at s.134.

<sup>8</sup> [2015] FWCFB 3500 at para. 136.

<sup>9</sup> Fair Work Act at s.3(b).

<sup>10</sup> Fair Work Act at s.285(3).

<sup>11</sup> [2017] FWCFB 3500 at para. 163; See Australian Government submission 29 March 2017 at para. 39. Note: This does not include rates for employees with a disability, juniors, apprentices (including adult apprentices) or trainees being paid in accordance with the National Training Wage Schedule.

The Panel commented on the difficulties in identifying employees who are not covered by a modern award and to whom the NMW applies.<sup>12</sup> In regards to the proportionately low numbers of NMW workers estimated by the Australian Government, the Panel stated that

‘... it remains clear that the level of the lower award minimum rates affects many more low-paid workers than does the level of the NMW’.<sup>13</sup>

This paper therefore considers the characteristics of both employees earning around the NMW and the low paid using available and appropriate data sources.

It contributes to the literature by providing an update of the characteristics, albeit limited, of employees earning around the NMW who would be directly affected by adjustments to the NMW, as well as for the low paid. In doing so, this research addresses the ‘relative living standards and the needs of the low paid’ consideration in the minimum wages and modern awards objectives.<sup>14</sup> The Panel has stated that:

‘The assessment of relative living standards requires a comparison of the living standards of workers reliant on the NMW and minimum award rates determined by the Review with those of other groups that are deemed to be relevant and focuses on the comparison between low-paid workers (including NMW and award-reliant workers) and other employed workers, especially non-managerial workers.’<sup>15</sup>

The Australian Bureau of Statistics’ (ABS) 2016 Survey of Employee Earnings and Hours (EEH) Confidentialised Unit Record File (CURF) is used to explore the characteristics of employees earning the adult NMW rate and these characteristics are compared with all employees paid at the adult rate. Wave 16 of the Household, Income and Labour Dynamics in Australia (HILDA) Survey is used to analyse the characteristics of the low paid, with the comparator being higher-paid adult employees.

The remainder of the paper is structured in the following way:

- Chapter 2 provides a brief background on the NMW, an overview of key findings from the literature on employees earning the minimum wage, and presents a descriptive analysis of the characteristics of workers earning the NMW using the EEH.
- Chapter 3 presents a descriptive analysis of the characteristics of low-paid employees using the HILDA Survey.
- Chapter 4 provides a conclusion and summary.

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<sup>12</sup> [2015] FWCFB 3500 at para. 161.

<sup>13</sup> [2017] FWCFB 3500 at para. 162.

<sup>14</sup> Fair Work Act at ss.284(1)(c) and 134(1)(a).

<sup>15</sup> [2017] FWCFB 3500 at para. 52.



## 2 Characteristics of national minimum wage earners

Chapter 2 explores the characteristics of those earning around the hourly NMW rate using the 2016 EEH. Section 2.1 is an overview of the literature on those earning the NMW, Section 2.2 describes the data sources, Section 2.3 defines 'NMW earners' for the analysis and Section 2.4 looks at their characteristics.

The characteristics of *all* employees earning around the adult NMW rate are analysed, as distinct from only those to whom the NMW order applies. This includes employees whose pay is set by an award, collective agreement or any other instrument. For brevity, these employees are called 'NMW earners' throughout the report.

The NMW has been a fundamental building block from which other award wages have been derived (Bray 2013) and also features as the base adult rate in 45 of the 122 modern awards.<sup>16</sup> As noted by the Panel, the NMW rate in most of these awards may be regarded as a 'transitional rate' in that it is limited to an initial period of employment (usually 3 months) or to the attainment of specific competencies.<sup>17</sup>

According to published estimates in the EEH, about 24 per cent of employees<sup>18</sup> were paid at exactly the rate specified in an award in 2016. Most employees had their pay set by either a collective agreement or individual arrangement, at almost 40 per cent each.<sup>19</sup>

Using the EEH, the Australian Government submission to the 2016–17 Review estimated that 1.9 per cent of employees were earning the adult NMW rate in May 2016.<sup>20</sup> However, ascertaining the precise proportion of those earning the NMW from existing Australian data sources is difficult.

### 2.1 Overview of literature on those earning the national minimum wage

Based on Australian research published since 2006 (see Table A1 in Appendix A), the estimated share of workers on the minimum wage<sup>21</sup> ranges from about 1.6 to 17.8 per cent, varying according to the survey instrument, reference period and the methodology used to define the minimum wage group.<sup>22</sup> Most of these studies employ some threshold slightly above the minimum wage rate to define this group of workers (for example, 10 per cent or some rounded margin above the minimum wage) because of the small proportion of employees earning the actual minimum wage rate itself in survey data and to allow for a margin of measurement error in reported wages and hours worked.

With reference to findings from research that used EEH data, estimates of minimum wage workers have been found within a much smaller range of between 1.6 and 7.2 per cent. These studies tend to find some commonality on the characteristics of minimum wage workers.

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<sup>16</sup> [2017] FWCFB 3500 at para. 163; See Australian Government submission, *Annual Wage Review 2016–17* at para. 39.

<sup>17</sup> [2017] FWCFB 3500 at para. 163.

<sup>18</sup> Excluding owner managers of incorporated enterprises.

<sup>19</sup> ABS, *Employee Earnings and Hours, Australia, May 2016*, Catalogue No. 6306.0.

<sup>20</sup> Australian Government submission, *Annual Wage Review 2016–17* at para. 36.

<sup>21</sup> The generic term minimum wage is used here as the literature canvassed also includes exploration of those earning the then applicable Federal Minimum Wage (FMW).

<sup>22</sup> A number of which have been undertaken or commissioned by predecessors of the Fair Work Commission, including Fair Work Australia and the Australian Fair Pay Commission.

Minimum wage workers have been found to be predominately of prime working age (25–64 years). However the youngest (i.e., 15–24 years) and oldest workers (i.e., 60 years and above) were relatively more likely to be NMW workers under their respective age groups, especially for the former group (Productivity Commission 2015; Bray 2013; Healy and Richardson 2006). Based on data from the HILDA Survey, Bray (2013) noted that the incidence of minimum wage employment follows a U-shaped distribution with age.

Studies have found that a majority of minimum wage workers were females (Bray 2013; Dockery et al. 2010; Leigh 2007; McGuinness et al. 2007), albeit, by a small margin in some cases (Bray 2013; Healy and Richardson 2006). In contrast, using EEH data and a relatively tighter threshold of minimum wage reliance, Bray (2013) found that a slight majority of NMW workers were males, but noted that gender was almost evenly split between males and females within this group when a higher threshold was used.

About three-quarters of adult minimum wage workers were born in Australia (Healy and Richardson 2006) while those that migrated from outside a main English-speaking country appeared more likely to earn the minimum wage (Leigh 2007), particularly among full-time minimum wage employees (McGuinness et al. 2007). By location, most minimum wage employees resided in metropolitan areas, but lived disproportionately in regional areas relative to other employees (Healy and Richardson 2006).

The level of education has been found to have a strong association with minimum wage employment. As one might expect, individuals with the least education were more likely to earn around the minimum wage. Adults who had completed up to Year 11 had the highest incidence of minimum wage employment, followed by those who completed up to Year 12 (McGuinness et al. 2007; Bray 2013). Over half of adult minimum wage workers had no qualifications beyond Year 12 (Dockery et al. 2010; Healy and Richardson 2006).

Adult minimum wage workers were more likely to be working part time than full time and more likely to be casual rather than permanent or fixed-term workers (Bray 2013; McGuinness et al. 2007; Healy and Richardson 2006). Minimum wage workers were also less likely to be a member of a union than other workers (McGuinness et al. 2007).

By occupation, most minimum wage workers were employed as Labourers, Sales workers and Community and personal service workers (Productivity Commission 2015; Bray 2013; Nelms et al. 2011). Relative to other workers, minimum wage workers had fewer years of occupational tenure (McGuinness et al. 2011).

Recent research showed that Accommodation and food services was the largest employing industry of minimum wage workers (Productivity Commission 2015) and also had the highest concentration of minimum wage employment (Bray 2013). A higher than average proportion of minimum wage workers were found in Administrative and support services, Other services, Construction, Retail trade, Rental, hiring and real estate, and Manufacturing (Bray 2013). Other studies also found Agriculture, forestry and fishing to contain a comparatively high density of minimum wage workers (Nelms et al. 2011; Dockery et al. 2010). Minimum wage employment appears to be more prevalent across small businesses and in the not-for-profit sector (Bray 2013).

Minimum wage earners are found throughout the distribution of household income, with most residing in the middle-income households (Productivity Commission 2015; Dockery et al. 2010; Leigh 2007). This could reflect findings indicating that many minimum wages workers are not the

primary earner of a multiple-earner household (Bray 2013; Leigh 2007). However, the extent to which minimum wage workers are found in low-income households depends on the household type they are compared with. Minimum wage workers are found to be strongly concentrated among low-income households compared to other employed persons. However, compared with the wider population, lower income groups are dominated by the unemployed and those not in the labour force (Productivity Commission 2015; Bray 2013; Dockery et al. 2010; McGuinness et al. 2007; Healy and Richardson 2006). Studies have thus drawn different conclusions as to the effectiveness of minimum wage increases in improving the living standards of households with low incomes.

## 2.2 Data and definitions

The EEH is a biennial survey that collects information from a sample of employers on a sample of their employees. It contains a range of characteristics of employers, such as industry and firm size; and their employees, such as gender, weekly earnings, hours worked (and paid for), occupation, age, employment type, method of setting pay and full-time and part-time status.

In 2016, the EEH contained a sample of 8200 employers, covering approximately 53 000 employees. The EEH sample includes all employing businesses in Australia except for:

- businesses in Agriculture, forestry and fishing;
- private households employing staff; and
- foreign embassies and consulates.

In order to identify NMW earners, this report uses data from the EEH's CURF.<sup>23</sup> There is no variable in the EEH that clearly identifies employees to whom the NMW order applies however, they will likely be captured in the overall estimate.<sup>24</sup> In the EEH, information on employee wages and hours worked is derived from employer's payroll data. The EEH also allows for the identification of employees paid at the full adult rate, or where a sub-minimum rate applies (e.g. junior, apprentice/trainee). Moreover, hours worked reported in the EEH refer to paid hours worked. Therefore, hourly wages data are used to approximately identify this group.

### 2.2.1 Defining employees earning the NMW rate

Consistent with the hourly wage band used by the Australian Government,<sup>25</sup> a NMW earner is defined in this report as:

- an employee (excluding an owner-manager of an incorporated enterprise (OMIEs)) paid at the adult rate of pay whose hourly ordinary time cash earnings<sup>26</sup> are \$17.50 or less. This represents a rounded margin of 21 cents above the applicable adult NMW rate (\$17.29). The

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<sup>23</sup> All data are analysed using the relevant weights.

<sup>24</sup> The EEH cannot specifically identify those that are covered by the NMW Order (see ABS, *A guide to understanding employee earnings*, in ABS, *Employee Earnings and Hours, Australia, May 2016*, Catalogue No. 6306.0).

<sup>25</sup> Australian Government submission, *Annual Wage Review 2016–17* at Chart 2.1 and para. 294; Australian Government submission, *Annual Wage Review 2015–16* at Chart 2.1 and para. 292.

<sup>26</sup> As defined by the ABS, ordinary time cash earnings includes payment for award, standard or agreed hours of work, including allowances, penalty payments, payments by measured result and regular bonuses and commissions. These payments are inclusive of salary sacrificed. Ordinary time hours paid for includes stand-by or reporting time which is part of standard hours of work, and that part of annual leave, paid sick leave, and long service leave taken during the reference period.

earnings of employees who received a casual loading are discounted to account for a 25 per cent loading.<sup>27</sup>

Employees covered by collective agreements, individual arrangements or by modern awards may also earn a rate around the NMW and, for the purposes of this paper, will come under our definition of a 'NMW earner'.

Data from the 2016 EEH CURF show that 1.9 per cent of all employees were identified as NMW earners. This is consistent with data cited by the Australian Government in its submission to the 2016–17 Review.<sup>28</sup> However, as a proportion of employees paid at the adult rate, 2.1 per cent of all employees paid at the adult rate were identified as NMW earners.

The definition of NMW earner is restricted to those earning the adult rate of pay and excludes junior employees earning sub-minimum rates. However, young workers (less than 21 years) who are paid around the adult NMW rate are included.

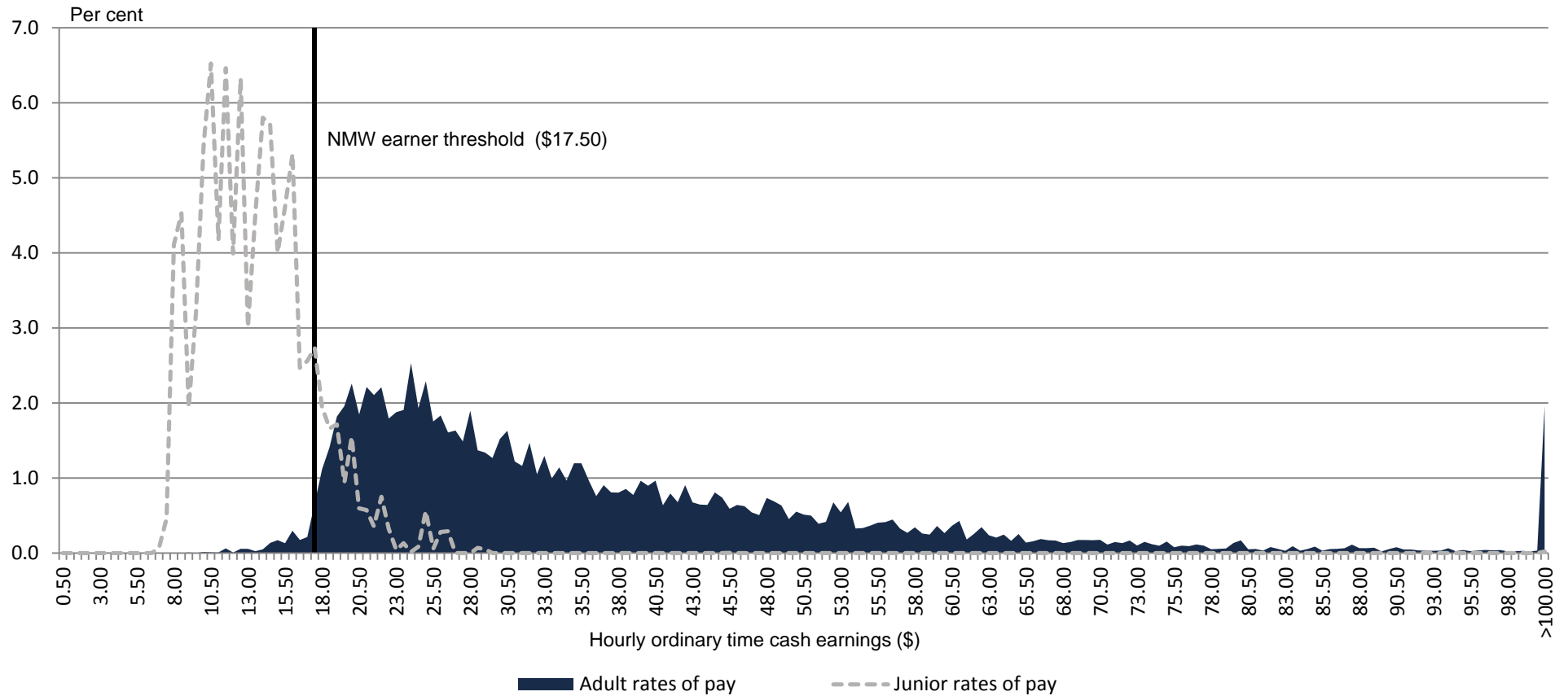
Chart 2.1 compares the distribution of hourly ordinary time cash earnings of employees paid at the adult and junior rates of pay. The chart shows that the majority of employees paid at junior rates of pay (88 per cent) have hourly ordinary time cash earnings below the NMW threshold. The chart also highlights the small proportion of employees paid at the adult rate earning around the NMW rate.

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<sup>27</sup> This is similar to the population used by the Australian Government (see Australian Government submission, *Annual Wage Review 2016–17* at para. 293) to define those paid at the NMW rate, with one exception. The Australian Government's analysis calculated those paid at the NMW rate among non-managerial employees for the reason that this group had not normally reported their hours. However, this paper makes no such restriction as these data were available from the EEH 2016 CURF.

<sup>28</sup> Australian Government submission, *Annual Wage Review 2016–17* at para. 36.

**Chart 2.1: Distribution of hourly ordinary time cash earnings of employees paid at the adult and junior rates of pay, 2016, per cent (\$0.50 cent increments)**



Notes: Earnings of employees who received a casual loading have been deflated by 25 per cent.

Source: ABS, *Microdata: Employee Earnings and Hours, Australia, May 2016*, Catalogue No. 6306.0.55.001.

## 2.3 Characteristics of NMW earners

This section presents data on a range of personal, employment and business characteristics using the 2016 EEH CURF. Table 2.1 presents the distribution of NMW earners and compares with them with all employees. For example, by gender the data show that 58.7 per cent of NMW earners are female, compared with 52.5 per cent for all employees. The final column of the table presents data on the proportion of employees who are NMW earners; in this case, the data show that 2.3 per cent of all female employees are considered to be NMW earners. A description of each characteristic follows.

**Table 2.1: Personal, employment and employer characteristics of NMW earners, 2016**

	Within group distribution		Proportion of employees who are NMW earners (%)
	NMW earners (%)	All employees (%)	
<b>Personal characteristics</b>			
<b>Gender</b>			
Male	41.3	47.5	1.8
Female	58.7	52.5	2.3
<b>Age Group</b>			
15–20	22.3	2.8	16.8
21–24	18.7	8.8	4.4
25–29	14.9	12.8	2.4
30–49	25.8	48.8	1.1
50–64	16.4	24.2	1.4
65 and over	1.8	2.6	1.5
<b>Employment characteristics</b>			
<b>Full-time/part-time status</b>			
Full time	22.3	61.1	0.8
Part time	77.2	38.9	4.2
<b>Type of employee</b>			
Permanent/fixed term	20.4	78.9	0.5
Casual	79.6	21.1	7.8
<b>Managerial status</b>			
Managerial employee	1.1	5.3	0.4
Non-managerial employee	98.9	94.7	2.2
<b>Paid overtime in reference period</b>			
Yes	5.5	12.1	0.9
No	94.5	87.9	2.2
<b>Salary sacrificed over reference period</b>			
Yes	2.6	17.5	0.3
No	97.4	82.5	2.5

Characteristics of workers earning the national minimum wage rate and of the low paid

	Within group distribution		Proportion of employees who are NMW earners (%)
	NMW earners (%)	All employees (%)	
<b>Method of setting pay</b>			
Award only	47.2	23.2	4.2
Collective Agreement	18.5	37.7	1.0
Individual arrangement	34.3	39.1	1.8
<b>Business characteristics</b>			
<b>Sector</b>			
Private	98.7	76.7	2.7
Public	1.3	23.3	0.1
<b>Employer size</b>			
Fewer than 20 employees	59.4	22.0	5.6
20 or more employees	40.6	78.0	1.1
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>2.1</b>

Note: Full-time/part-time status is defined slightly differently in the EEH compared with other ABS data sources. Full-time employees are those who normally work the agreed hours for a full-time employee (usually 38 hours per week) in their occupation and receive pay for any part of the reference period. If agreed or award hours do not apply, employees are regarded as full-time if they ordinarily work 35 hours or more per week. Part-time employees are those who normally work less than the agreed or award hours for a full-time employee in their occupation; or if the agreed or award hours do not apply, if they ordinary work less than 35 hours per week.

Source: ABS, *Microdata: Employee Earnings and Hours, Australia, May 2016*, Catalogue No. 6306.0.55.001.

### 2.3.1 Personal characteristics

The data show that by **gender** NMW earners were more likely to be female (just under 60 per cent), with 2.3 per cent of all female employees classified as NMW earners compared with 1.8 per cent of all male employees. Data also showed that females made up a majority of all employees paid at adult rates at 52.5 per cent.<sup>29</sup>

With respect to **age**, around one-quarter of NMW earners were aged 30 to 49 years, while nearly half of all employees were found to be in this age group. There was a relatively high proportion of NMW earners (22.3 per cent) aged between 15 and 20 years (and not earning junior rates), while this group comprised only 2.8 per cent of all employees. The data also showed that around 17 per cent of employees aged 15 to 20 years were NMW earners, representing the highest proportion of NMW earners compared with any other age group.

<sup>29</sup> In contrast, data from the ABS Labour Force Survey showed that males made up the slight majority of all employed persons aged 20 and above in May 2016. It is likely that this difference is a product of the variations in sample design and scope between the two surveys.

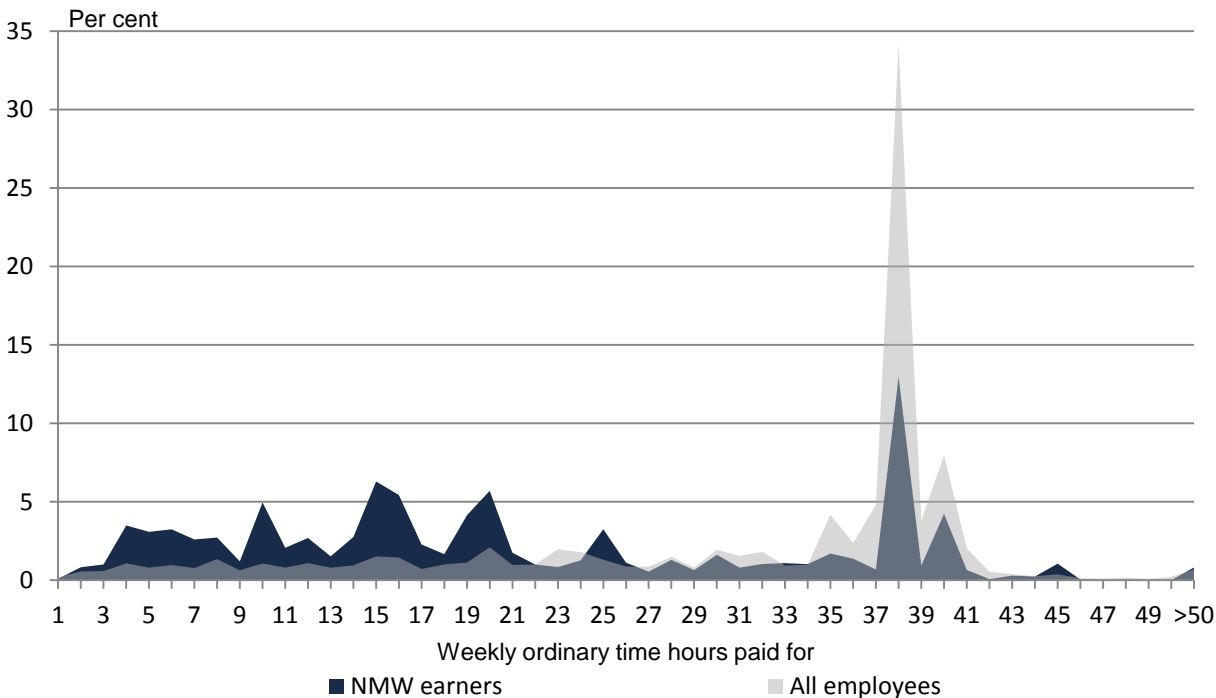
**2.3.2 Employment characteristics**

Looking at **full-time/part-time status**, within the distribution of NMW earners, a majority were working part time (77.2 per cent), compared with all employees. Similar proportions were also reported by **type of employee**, where NMW earners were primarily engaged on a casual basis (79.6 per cent). Results also showed that 7.8 per cent of all casuals were a NMW earner.

Together, a significant proportion of NMW earners (64.1 per cent) were both a casual employee and working part time. In contrast, the broader employee population were primarily employed full time (61.1 per cent) and engaged on a permanent or fixed term basis (78.9 per cent).

Chart 2.2 presents the distribution of weekly **ordinary time hours paid for** employees paid at the adult rate of pay. It shows that the number of part-time hours worked by NMW earners varied. About one-third of NMW earners worked fewer than 15 ordinary time hours and a further one-quarter worked between 15 and 20 ordinary time hours. Similar to findings from the Productivity Commission (2015) the chart shows that below full-time hours, lower weekly hours correspond with higher rates of NMW reliance.

**Chart 2.2: Distribution of weekly ordinary time hours paid for NMW earners and all employees, per cent**



Note: Ordinary time hours paid for are award, standard or agreed hours of work, paid for at the ordinary time rate. Included is stand-by or reporting time which is part of standard hours of work, and that part of annual leave, paid sick leave and long service leave taken during the reference period.

Source: ABS, *Microdata: Employee Earnings and Hours, Australia, May 2016*, Catalogue No. 6306.0.55.001.



Only 1.1 per cent of NMW earners were classified as **managerial employees**.<sup>30</sup> A lower proportion of NMW earners were paid overtime (5.5 per cent) compared with all employees (12.1 per cent). Fewer NMW earners salary sacrificed (2.6 per cent) than all employees (17.5 per cent). This may indicate that these employees had little capacity to or, given the age-structure of NMW earners, were not inclined to make such an arrangement.

By **method of setting pay**, nearly half of NMW earners (47.2 per cent) were award reliant—that is, paid at the award rate only—while fewer than one-quarter (23.2 per cent) of all employees were award reliant. NMW earners comprised only 4.2 per cent of all award-reliant employees, indicating that the majority of award-reliant employees are paid above the NMW rate.

A similar share of all employees were covered by either a collective agreement or individual arrangement (around 40 per cent each). However, nearly twice as many NMW earners were on individual arrangements than collective agreements, at 34.3 per cent and 18.5 per cent, respectively. NMW earners comprised 1.8 per cent of all employees covered by an individual arrangement and 1.0 per cent of all employees covered by a collective agreement.

### 2.3.3 Business characteristics

By **sector**, almost all NMW earners were working in a business in the private sector (98.7 per cent) compared to 76.7 per cent of all employees.

Turning to **business size**, around three-fifths of NMW earners worked for small employers (fewer than 20 employees), representing 5.6 of all employees in small businesses. In comparison, nearly fourth-fifths of all employees (78.0 per cent) worked for large employers with 20 or more employees. Just 1.1 per cent of all employees in large businesses were NMW earners.

### 2.3.4 Industry and occupation composition

Table 2.2 presents data on the composition of NMW earners by **industry** at the one-digit Australian and New Zealand Standard Industrial Classification (ANZSIC) level.

Accommodation and food services stands out as the industry with the highest proportion of NMW earners at 27.9 per cent. It also has the highest concentration of NMW earners, with one in ten employees within this industry considered a NMW earner.

Retail trade also had a relatively high proportion of NMW earners at 14.0 per cent. Other industries that had a relatively high proportion were Wholesale trade, Manufacturing and Administrative and support services, each comprising around 8 per cent of NMW earners.

In contrast, the highest share of all employees were in Health care and social assistance (14.4 per cent) and Education and training (11.8 per cent).

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<sup>30</sup> In EEH, managerial employees are defined as those who have strategic responsibilities in the conduct or operations of the organisation and/or are in charge of a significant number of employees.

**Table 2.2: Industry division of NMW earners, 2016**

	Within group distribution		Proportion of employees who are NMW earners (%)
	NMW earners (%)	All employees (%)	
Mining	0.0	1.8	0.1
Manufacturing	8.1	6.9	2.5
Electricity, gas, water and waste services	0.2	1.1	0.4
Construction	1.0	5.8	0.4
Wholesale trade	8.5	4.8	3.7
Retail trade	14.0	9.9	2.9
Accommodation and food services	27.9	6.0	9.7
Transport, postal and warehousing	1.6	4.2	0.8
Information media and telecommunications	0.5	1.6	0.7
Financial and insurance services	4.2	4.4	2.0
Rental, hiring and real estate services	2.6	1.8	3.0
Professional, scientific and technical services	5.0	7.2	1.5
Administrative and support services	8.0	6.2	2.7
Public administration and safety	1.5	7.2	0.4
Education and training	1.3	11.8	0.2
Health care and social assistance	5.6	14.4	0.8
Arts and recreation services	3.7	1.6	4.8
Other services	6.3	3.5	3.8
<b>All industries</b>	<b>100.0</b>	<b>100.0</b>	<b>2.1</b>

Note: Data for Agriculture, forestry and fishing are not captured in the EEH.

Source: ABS, *Microdata: Employee Earnings and Hours, Australia, May 2016*, Catalogue No. 6306.0.55.001.

Table 2.3 expands on the previous table by further disaggregating it by full-time and part-time status.

Nearly three-fifths of *full-time* NMW earners worked in four industries: Manufacturing (20.0 per cent), Administrative and support services (14.0 per cent), Wholesale trade (13.7 per cent) and Retail trade (11.0 per cent).

In contrast, the composition for all full-time employees was more evenly spread, with the highest proportions found in Education and training (10.2 per cent), and Manufacturing (9.7 per cent).

As most NMW earners were identified as *part-time* workers, the results are similar to those presented in Table 3.2. Accommodation and food services accounted for around one-third of part-time NMW earners, while the proportion of part-time NMW earners in Retail trade was 14.8 per cent.

Compared with all employees, all part-time employees were less concentrated, with the highest proportion of part-time employees working in Health care and social assistance (22.5 per cent).

**Table 2.3: Industry division of NMW earners, by full/part-time status, 2016**

	NMW earners		All employees	
	Full time (%)	Part time (%)	Full time (%)	Part time (%)
Mining	0.2	0.0	2.8	0.2
Manufacturing	20.0	4.7	9.7	2.5
Electricity, gas, water and waste services	0.1	0.2	1.6	0.2
Construction	1.9	0.8	8.0	2.2
Wholesale trade	13.7	7.0	6.2	2.5
Retail trade	11.0	14.8	7.3	13.9
Accommodation and food services	9.4	33.2	3.0	10.6
Transport, postal and warehousing	1.4	1.6	5.5	2.2
Information media and telecommunications	0.7	0.5	2.1	0.8
Financial and insurance services	0.2	5.3	5.6	2.5
Rental, hiring and real estate services	3.3	2.5	2.1	1.3
Professional, scientific and technical services	6.5	4.6	8.9	4.7
Administrative and support services	14.0	6.3	5.1	8.0
Public administration and safety	1.9	1.4	8.8	4.7
Education and training	0.0	1.6	10.2	14.4
Health care and social assistance	5.5	5.6	9.2	22.5
Arts and recreation services	1.7	4.2	1.0	2.6
Other services	8.5	5.7	3.0	4.2
<b>All industries</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

Note: Data for Agriculture, forestry and fishing are not captured in this data source.

Source: ABS, *Microdata: Employee Earnings and Hours, Australia, May 2016*, Catalogue No. 6306.0.55.001.

Table 2.4 presents the composition of NMW earners by **occupation** at the one-digit Australian New Zealand Standard Classification of Occupations (ANZSCO) level. NMW earners feature most prominently among Sales workers and Labourers (both 28.3 per cent).

In contrast, Professionals and Clerical and administrative workers were the most common occupations for all employees.

**Table 2.4: Occupation major group of NMW earners, 2016**

	Within group distribution		Proportion of employees who are NMW earners (%)
	NMW earners (%)	All employees (%)	
Managers	1.1	8.0	0.3
Professionals	3.0	24.0	0.3
Technicians and trades workers	3.5	11.1	0.7
Community and personal service workers	17.2	13.1	2.7
Clerical and administrative workers	10.7	16.8	1.3
Sales workers	28.3	11.0	5.4
Machinery operators and drivers	8.0	6.8	2.4
Labourers	28.3	9.3	6.4
<b>All occupations</b>	<b>100.0</b>	<b>100.0</b>	<b>2.1</b>

Source: ABS, *Microdata: Employee Earnings and Hours, Australia, May 2016*, Catalogue No. 6306.0.55.001.

The **occupational major groups** above can be further examined in the EEH CURF at the more detailed 3-digit level for the 97 occupational minor groups.<sup>31</sup> Table 3.5 below lists the top 5 **occupational minor groups** with the highest proportion of NMW earners. These minor groups accounted for over half (55.0 per cent) of all NMW earners and only 16.2 per cent of all employees.

The most common occupational minor group for NMW earners was Sales assistants and salespersons (23.7 per cent), comprising 6.1 per cent of all employees in this occupation. This is also the most common occupational minor group for all employees paid at the adult rate.

Of all occupational minor groups, NMW earners were most concentrated in Food preparation assistants in which they made up 16.5 per cent of all employees working in this role.

<sup>31</sup> Under ANZSCO, the hierarchical level of occupations ranges from the one-digit Major Groups level (the most aggregated level of ANZSCO) to the 6-digit occupation base group.

**Table 2.5: Occupation minor group of NMW earners, selected minor groups, 2016**

	Within group distribution		Proportion of employees who are NMW earners (%)
	NMW earners (%)	All employees (%)	
Sales assistants and salespersons	23.7	8.1	6.1
Food preparation assistants	10.3	1.3	16.5
Hospitality workers	10.1	3.0	7.0
Packers and product assemblers	6.6	1.2	11.8
Cleaners and laundry workers	4.4*	2.6	3.5

Note: \* Estimate has a relative standard error of 25 to 50 per cent and should be used with caution. Minor occupational groups selected on basis of having the five highest proportion of NMW earners.

Source: ABS, *Microdata: Employee Earnings and Hours, Australia, May 2016*, Catalogue No. 6306.0.55.001.

Table 2.6 presents data on the distribution of NMW earners by **skill level**.

Skill levels are indicative of the required level of formal education and qualifications, or amount of related job experience required, to competently perform the set of tasks required for that occupation. Under ANZSCO, each occupation at the highest level of detail (6-digit level) is assigned a skill level on a scale of 1 to 5, with 1 being the highest. As an example, occupations at skill level 1 are commensurate with a bachelor degree or higher qualification, or at least 5 years of relevant experience as a substitute for formal qualifications. Skill level 5 occupations are commensurate with an Australian Qualifications Framework (AQF) Certificate I or compulsory secondary education. A short period of on-the-job training may be required in addition to, or instead of, any formal qualifications.<sup>32</sup> Skill level 4 occupations are commensurate with an AQF Certificate II or III and/or at least one year of relevant experience.

As Table 3.6 shows, and as might be expected, most NMW earners were concentrated in the lowest skill levels. Over half of NMW earners (56.7 per cent) worked in occupations with skill level 5, with 6.1 per cent of all employees at this skill level classified as a NMW earner. In addition, over one-third of NMW earners (34.2 per cent) were in skill level 4 occupations.

A relatively small proportion of the NMW earners were in occupations with skill level 1, predominately confined to two occupational minor groups, Social and welfare professionals and Accountants, auditors and company secretaries. Some of those in the higher-skilled occupations may receive low wages in addition to other non-wage benefits not otherwise captured under the EEH's measure of earnings. For example, Ministers of religion (in the Social and welfare professionals category) may receive housing and associated benefits.

<sup>32</sup> See ABS, *ANZSCO - Australian and New Zealand Standard Classification of Occupations, 2013*, Version 1.2, Catalogue No. 1220.0.

**Table 2.6: Skill level of NMW earners paid at the adult rate, proportion by skill level, 2016**

	Within group distribution		Proportion of employees who are NMW earners (%)
	NMW earners (%)	All employees (%)	
Skill level 1	3.6	30.5	0.2
Skill level 2	2.2	8.8	0.5
Skill level 3	3.3	12.0	0.6
Skill level 4	34.2	29.5	2.4
Skill level 5	56.7	19.2	6.1
<b>All skill levels</b>	<b>100.0</b>	<b>100.0</b>	<b>2.1</b>

Note: A few occupational minor groups consist of occupations from more than one skill level. In these cases, a skill level was assigned based on the predominate skill level of the 4-digit occupational unit groups which make up that minor group, or alternatively, to the lowest skill level within that minor group.

Source: ABS, *Microdata: Employee Earnings and Hours, Australia, May 2016*, Catalogue No. 6306.0.55.001.

### 3 Characteristics of low-paid adult employees

In the 2016–17 Review decision, the Panel provided a discussion on some of the characteristics of low-paid employees in its consideration of relevant living standards and needs of the low paid. This was partly informed by analysis undertaken by the Australian Government which used data from Wave 15 (2015) of the HILDA Survey.<sup>33</sup>

This Chapter provides an update on the characteristics of low-paid employees using the latest data from Wave 16 (2016) of the HILDA Survey. Section 3.1 provides an overview of HILDA Survey and defines low-paid employees, while Section 3.2 explores their characteristics.

#### 3.1 Data and definitions

The HILDA Survey is an annual longitudinal study of Australian households conducted since 2001. It contains data on economic and subjective well-being, labour market dynamics and family dynamics.

In 2016, the HILDA Survey contained 7635 households, covering 18 379 people.

The HILDA Survey is used for this analysis rather than the EEH because it provides a broader range of characteristics on employees than the EEH. However, as the HILDA Survey is a household survey, data on wages are considered to be less reliable than that collected from employer-based surveys, where data are drawn from payroll systems. This is because information on wages are often collected on a recall basis in an interview, which means that the accuracy of the reported data are generally less reliable.

Nonetheless, the HILDA Survey's derived hourly wage variable has been used in many studies to identify low-paid workers. This group of workers represent a larger sample than the sample drawn

<sup>33</sup> [2017] FWCFB 3500 at paras 373; 381–384.

for NMW earners and the identification of the low-paid is less dependent on the accuracy of the hourly wage variable, which is required for NMW earners. An analysis of NMW earners using the HILDA Survey would therefore be problematic.

Hours worked reported in the HILDA Survey are usual hours worked, which means that it is likely to include overtime and unpaid hours. To alleviate this issue, the HILDA analysis will top-code the usual hours worked in main job at 60 hours in order to adjust the hourly earnings of those employees who report an unusually large number of (not necessarily paid) hours over a week.<sup>34</sup>

In this analysis, a 'low-paid employee' is defined as an adult employee paid below two-thirds of median hourly earnings. In the Annual Wage Review 2015–16, the Panel stated that "there is broad acceptance of the proposition that the two-thirds of median (adult) ordinary time earnings constitutes a reasonable basis for identifying the low paid".<sup>35</sup>

Two-thirds of median earnings is calculated by dividing usual weekly gross wages in main job (including amounts salary sacrificed) by usual hours per week worked in main job. This equates to \$19.57 per hour. Based on this definition 13.1 per cent of all employees were defined as low paid in 2016. As a proportion of all adult employees (aged 21 years and above), 14.6 per cent were low paid in 2016. Low-paid employees are compared to 'higher-paid employees' earning above the low-pay threshold.

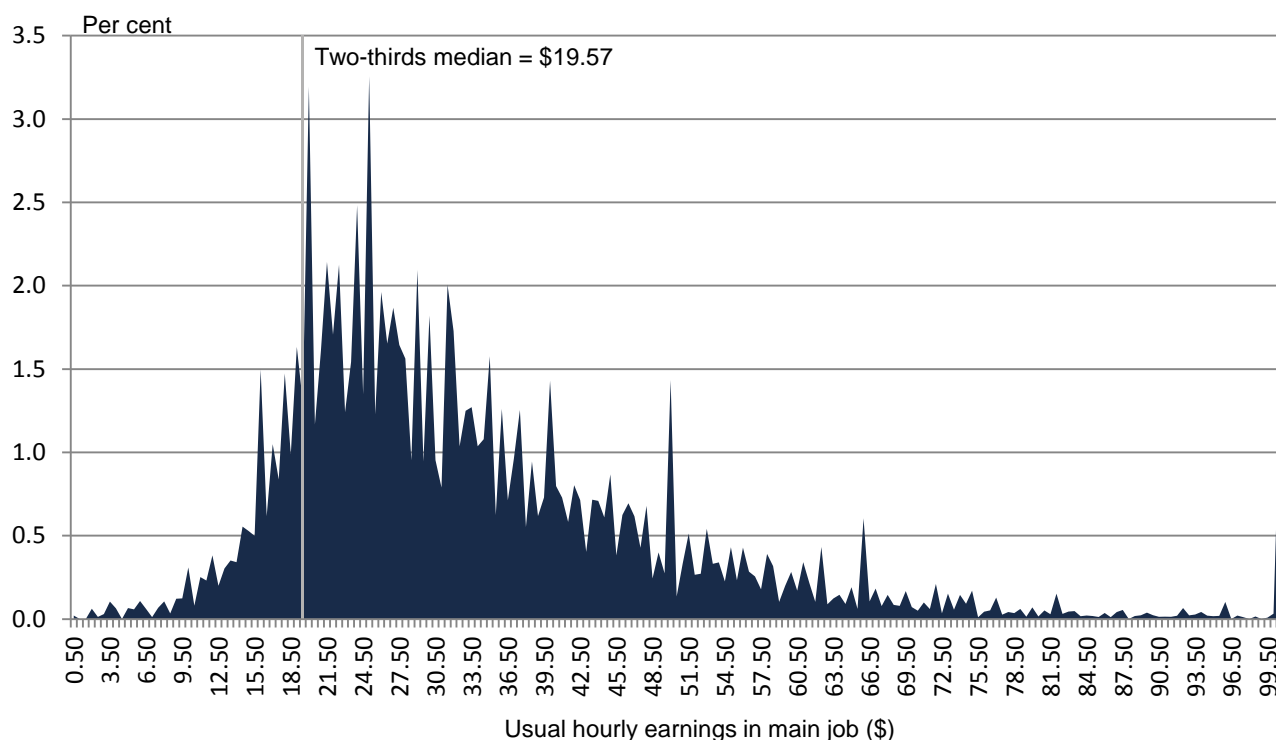
Chart 3.1 presents the distribution of hourly wages derived from the HILDA Survey. For low-paid employees, the distribution was particularly concentrated, with 61.9 per cent earning between \$16.00 and under \$19.57 per hour (i.e. the two-thirds median threshold). For higher-paid employees, the distribution was less concentrated, with 25.5 per cent earning from \$19.57 to under \$25.00 per hour, and another 22.2 per cent earning from \$25.00 to under \$30.00 per hour.

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<sup>34</sup> This affects 1.9 per cent of employees in the sample.

<sup>35</sup> [2017] FWCFB 3500 at para. 369.

**Chart 3.1: Distribution of usual hourly earnings in main job of adult employees (\$0.50 cent increments), 2016, per cent**



Note: Usual hourly earnings are derived from usual weekly gross wages in main job (including amounts salary sacrificed) and hours per week usually worked in main job (top-coded at 60 hours). Earnings of casual employees (as ABS defined, employees without entitlement to paid annual and sick leave) have been discounted by 25 per cent.

Source: HILDA, Wave 16.

### 3.2 Characteristics of low-paid adult employees

This section presents characteristics of low-paid adult employees and compares them to the characteristics of higher-paid adult employees. From here on, low-paid adult employees and higher-paid adult employees will be referred to as ‘low-paid employees’ and ‘higher-paid employees’ for brevity.

Table 3.1 presents the distribution of low-paid employees and higher-paid employees across a range of personal, employment, and business characteristics. As an example of how to interpret the table, ‘within group distribution’ columns shows that among low-paid employees, 44.4 per cent are male and 55.6 per cent are female. The final column, which provides data on the ‘proportion of all adult employees who are low paid’, shows that 12.6 per cent of all males and 16.8 per cent of all female employees are low paid.



**Table 3.1: Personal, employment and employer characteristics of low-paid adult employees, 2016**

	Within group distribution		Proportion of adult employees who are low paid (%)
	Low-paid adult employees (%)	Higher-paid adult employees (%)	
<b>Personal characteristics</b>			
<b>Gender</b>			
Male	44.4	52.8	12.6
Female	55.6	47.2	16.8
<b>Age Group</b>			
21-24	24.7	8.0	34.6
25-29	16.9	13.3	17.9
30-49	36.1	50.3	10.9
50-64	20.0	26.0	11.7
65 and over	2.4	2.4	14.4
<b>Region</b>			
Metropolitan	67.8	72.2	13.9
Regional	32.2	27.8	16.6
<b>Highest level of education achieved</b>			
Year 12 and below	44.6	25.2	23.2
Advanced diploma or Certificate III/IV	37.0	34.3	15.6
Bachelor degree or above	18.4	40.5	7.2
<b>Currently studying</b>			
Not studying	82.2	89.0	13.7
Studying full-time or part-time	17.8	11.0	21.7
<b>Country of birth</b>			
Australia	71.7	70.0	14.9
Main English Speaking	8.7	10.1	12.9
Other	19.5	19.9	14.4
<b>Marital status</b>			
Married	35.4	54.5	10.0
De facto	15.6	15.4	14.7
Separated/Divorced/Widowed	9.2	9.1	14.7
Never married and not de facto	39.8	20.9	24.6
<b>Aboriginal or Torres Strait Islander origin</b>			
Yes	2.3	1.8	18.6
No	97.7	98.2	14.5
<b>Has long-term health condition, disability or impairment</b>			
Yes	19.5	13.8	19.5
No	80.5	86.2	13.8
<b>Employment characteristics</b>			
<b>Full-time/Part-time status</b>			
Full-time	51.3	74.9	10.5
Part-time	48.7	25.1	25.0

Characteristics of workers earning the national minimum wage rate and of the low paid

	Within group distribution		Proportion of adult employees who are low paid (%)
	Low-paid adult employees (%)	Higher-paid adult employees (%)	
<b>Employment type</b>			
Casual	61.7	13.7	43.5
Permanent	38.3	86.3	7.1
<b>Method of setting pay</b>			
Award only	46.7	20.4	27.6
Collective agreement	14.5	35.2	6.4
Individual arrangement	38.7	44.4	12.7
<b>Union membership</b>			
No	93.2	76.8	17.2
Yes	6.8	23.2	4.8
<b>Number of jobs</b>			
One	88.9	92.8	14.1
More than one	11.1	7.2	20.9
<b>Work schedule</b>			
Regular daytime schedule	74.9	78.8	14.0
Regular evening or night shift	6.5	5.4	17.2
Rotating shift, split shift, on call, irregular schedules	18.5	15.8	16.8
<b>Independent contractor</b>			
No	95.7	97.3	14.4
Yes	4.3	2.6	21.9
<b>Underemployed</b>			
No	79.1	93.0	12.8
Yes	20.9	7.0	33.9
<b>Business characteristics</b>			
<b>Sector</b>			
Private	90.6	72.2	17.8
Public	9.4	27.8	5.4
<b>Business size</b>			
1-19 employees	54.8	27.9	25.1
20-199 employees	36.7	44.8	12.3
200+ employees	8.5	27.3	5.0
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>14.6</b>

Note: For the method of setting pay variable, individuals that reported both collective agreement and individual arrangement as their method of setting pay were reclassified to individual arrangement.

Source: HILDA, Wave 16.

### 3.2.1 Personal characteristics

By **gender**, low-paid employees were more likely to be female (55.6 per cent), while males made up a slight majority (52.8 per cent) for higher-paid employees. For all female employees, 16.8 per cent were classified as low paid compared with 12.6 per cent of all male employees.

With respect to **age**, over four in ten low-paid employees were aged from 21 to 29 years, compared with only 21.3 per cent for higher-paid employees. Low-paid employees accounted for over one-third of those aged between 21 and 24 years.

By **region**, around two-thirds of low-paid employees lived in a metropolitan region, which was slightly lower than for higher-paid employees.

Looking at the **highest level of education achieved**, fewer than half of low-paid employees had Year 12 and below as their highest level of education achieved, compared with only around one-quarter of higher-paid employees. Almost one-quarter of employees with Year 12 and below as their highest level of education achieved were low-paid employees.

Focusing on whether the employee is **currently studying**, while most low-paid employees were not currently studying (82.2 per cent), they were more likely to be studying either full-time or part-time than higher-paid employees.

By **country of birth**, over 70 per cent of low-paid employees were born in Australia, similar to higher-paid employees.

Examining **marital status**, around four in ten low-paid employees were never married and not de facto, which was around twice the proportion compared with higher-paid employees. Over one-third of low-paid employees were married compared with more than half of higher-paid employees. These results may be driven by the differences in age composition between low-paid employees and higher-paid employees, as the low paid had higher proportions of young people.

Low-paid employees were slightly more likely to have indicated an **Aboriginal or Torres Strait Islander (ATSI) origin** than higher-paid employees. Less than one-fifth of Aboriginal or Torres Strait Islander-origin employees were low paid.

About 20 per cent of low-paid employees indicated they had a **long-term health condition or disability** compared to 13.8 per cent of higher-paid employees. Less than one-fifth of employees who indicated they had a long-term health condition or disability were low paid.

### 3.2.2 Employment characteristics

By **full-time/part-time status**, low-paid employees were fairly evenly split between working full-time and part-time hours, with slightly more reporting full-time work. In contrast, around three-quarters of higher-paid employees were full time. Low-paid employees accounted for one-quarter of part-time employees.

Looking at **employment type**, over six in ten low-paid employees were employed on a casual basis, which was much higher than for higher-paid employees (13.7 per cent). Low-paid employees accounted for 43.5 per cent of casual employment.

With respect to **method of setting pay**, low-paid employees were concentrated in award only (46.7 per cent) and individual arrangements (38.7 per cent) categories, while higher-paid employees were concentrated in individual arrangements (44.4 per cent) and collective

agreements (35.2 per cent). Low-paid employees accounted for over one-quarter of award-reliant employees.

Focusing on **union membership**, the vast majority of low-paid employees were not union members (93.2 per cent), which was higher than for higher-paid employees (76.8 per cent).

By the **number of jobs worked**, while most low-paid employees only had one job (88.9 per cent), the proportion of low-paid employees with more than one job (11.1 per cent) was larger than for higher-paid employees (7.2 per cent). Low-paid employees accounted for 20.9 per cent of employees who had more than one job.

With respect to **work schedule**, around three-quarters of low-paid employees worked a regular daytime schedule, similar to but slightly lower than for higher-paid employees.

While the vast majority of low-paid employees were not **independent contractors** (95.7 per cent), they were more likely to be independent contractors (4.3 per cent) than higher-paid employees (2.6 per cent).

Focusing on **underemployment**,<sup>36</sup> around one in five low-paid employees were underemployed, compared with only 7 per cent for higher-paid employees. Low-paid employees accounted for over one-third of the total underemployed. This result is partly driven by the difference in the composition of full-time/part-time employment between low-paid employees and higher-paid employees, as underemployed are by definition part-time employees, and part-time employment is more prevalent among the low paid.

### 3.2.3 Business characteristics

By **sector**, the majority of low-paid employees (90.6 per cent) were in the private sector, a greater proportion than for higher-paid employees (72.2 per cent).

With respect to **business size**, most low-paid employees were in small businesses (54.8 per cent), followed by medium businesses (36.7 per cent). In contrast, the distribution of higher-paid employees was more evenly spread by business size, with the highest concentration in medium businesses (44.8 per cent).

### 3.2.4 Industry and occupation composition

Table 3.2 presents data on the composition of low-paid employees across and within **industry** at the one-digit ANZSIC level.

Low-paid employees were concentrated in Accommodation and food services (15.4 per cent), Health care and social assistance (14.7 per cent), and Retail trade (14.4 per cent) with these three industries accounting for nearly half (44.6 per cent) of all low-paid employees. For higher-paid employees, Health care and social assistance (19.0 per cent), and Education and training (13.3 per cent) were the most common industries.

Low-paid employees accounted for around half of all employees in Accommodation and food services and Agriculture, forestry and fishing.

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<sup>36</sup> Underemployment is defined as part-time workers that prefer and are available to work more hours.

**Table 3.2: Industry division of low-paid adult employees, 2016**

	Within group distribution		Proportion of adult employees who are low paid (%)
	Low-paid adult employees (%)	Higher-paid adult employees (%)	
Agriculture, forestry and fishing	3.8	0.6	50.9
Mining	0.4*	2.8	2.7*
Manufacturing	7.3	8.1	13.4
Electricity, gas, water and waste services	0.3*	1.2	4.4*
Construction	7.2	6.3	16.5
Wholesale trade	2.9	3.2	13.5
Retail trade	14.4	7.4	25.2
Accommodation and food services	15.4	2.6	50.3
Transport, postal and warehousing	3.7	4.9	11.5
Information media and telecommunications	1.1*	1.9	9.0*
Financial and insurance services	0.4**	5.0	1.4**
Rental, hiring and real estate services	2.7*	1.5	24.3
Administrative and support services	5.1	2.3	27.3
Public administration and safety	2.0*	7.8	4.2*
Education and training	6.7	13.3	8.0
Health care and social assistance	14.7	19.0	11.7
Arts and recreation services	2.7*	1.5	23.6
Other services	5.2	2.9	23.2
<b>All industries</b>	<b>100.0</b>	<b>100.0</b>	<b>14.6</b>

Note: \* Estimate has a relative standard error of 25 to 50 per cent and should be used with caution. \*\* Estimate has a relative standard error of 50 to 75 per cent and should be used with caution.

Source: HILDA, Wave 16.

Table 4.3 presents data on the composition of low-paid employees across and within **occupation** at the one-digit ANZSCO level. Low-paid employees featured most prominently for Community and personal service workers (21.7 per cent), Labourers (16.6 per cent), and Sales workers (15.4 per cent). These three occupations also had the highest proportion of low-paid employees within occupations.

In contrast, Professionals (29.8 per cent), Clerical and administrative workers (15.3 per cent), and Managers (13.3 per cent) were the most common occupations for higher-paid employees.

**Table 3.3: Occupation major group of low-paid adult employees**

	Within group distribution		Proportion of adult employees who are low paid (%)
	Low-paid adult employees (%)	Higher-paid adult employees (%)	
	Managers	4.9	
Professionals	8.6	29.8	4.7
Technicians and trades workers	11.1	11.5	14.1
Community and personal service workers	21.7	11.5	24.4
Clerical and administrative workers	13.5	15.3	13.1
Sales workers	15.4	4.9	34.9
Machinery operators and drivers	8.3	7.0	16.9
Labourers	16.6	6.7	29.9
<b>All occupations</b>	<b>100.0</b>	<b>100.0</b>	<b>14.6</b>

Source: HILDA, Wave 16.

### 3.2.5 Training, leave entitlements and other employment characteristics

Table 3.4 examines access to training, paid leave entitlements as well as overall job satisfaction between low-paid and higher-paid employees.

Lower levels of **training participation** in the previous year are evident for low-paid employees compared with higher-paid employees. Where training was undertaken, the key differences for low-paid employees were that it was more likely to be aimed at assisting the employee to get started in their job, and less likely to relate to maintenance of professional/occupational standards or general skill development, when compared with higher-paid employees.

Noting from Table 3.1 that 19.5 per cent of low-paid employees reported a long-term health condition, disability or impairment. More than half of that group also indicated that their **long-term condition limits the type and amount of work they can perform** (12.4 per cent of low-paid employees), almost twice the proportion compared with higher-paid employees.

Examining employees who are engaged on a permanent basis, low-paid employees were less likely to have taken **paid annual leave** in the previous year and took a smaller number of days on average when compared with their higher-paid counterparts. Low-paid permanent employees were also less likely to have taken **paid sick leave** in the previous year and, when taken, took a lower number of paid sick leave days on average compared to higher-paid employees. Both of these findings were not a result of differences in full-time/part-time composition between the low-paid and higher-paid employees, as the results were the same when disaggregated by full-time/part-time status.

Overall **job satisfaction** on average is relatively similar between the two groups, and among the sub-measures of satisfaction, the only notable difference is the lower average satisfaction with pay recorded for low-paid employees.

**Table 3.4: Selected employment characteristics of low/higher-paid adult employees, 2016**

	Low-paid adult employees (%)	Higher-paid adult employees (%)
<b>Taken part in any work related training in past 12 months</b>	21.8	36.0
<b>Aim of this training</b>		
To help you get started in your job	24.0	7.9
To improve your skills in your current job	71.1	77.0
To maintain professional status and/or meet occupational standards	55.2	64.5
To prepare you for a job you might do in the future or to facilitate promotion	24.6	30.6
To develop your skills generally	56.7	64.2
Because of health / safety concerns	33.2	30.1
Other aims	0.9***	0.9*
<b>Has long-term condition or disability which limits type and amount of work that can be done</b>	12.4	6.8
<b>Taken paid annual leave in last 12 months, per cent</b> <i>(Permanent employees only)</i>	69.9	86.3
Full-time	70.1	87.9
Part-time	68.9	79.5
<b>Average amount of paid annual leave taken, No. of days</b> <i>(Permanent employees only)</i>	14.4	18.1
Full-time	14.9	18.7
Part-time	12.4	15.4
<b>Taken paid sick leave in last 12 months</b> <i>(Permanent employees only)</i>	64.2	76.0
Full-time	64.2	76.1
Part-time	64.0	75.7
<b>Average amount of paid sick leave taken, No. of days</b> <i>(Permanent employees only)</i>	5.3	6.0
Full-time	5.2	5.9
Part-time	5.6	6.8
<b>Average job satisfaction (0 = Totally dissatisfied; 10 = Totally Satisfied)</b>		
Total pay	6.5	7.3
Job security	7.5	7.8
The work itself	7.5	7.6
Hours worked	7.1	7.4
Flexibility to balance work and non-work commitments	7.3	7.4
Overall job satisfaction	7.4	7.6
<b>Total</b>	<b>100.0</b>	<b>100.0</b>

Note: \* Estimate has a relative standard error of 25 to 50 per cent and should be used with caution. \*\*\* Estimate has a relative standard error greater than 75 per cent and should be used with caution.

Source: HILDA, Wave 16.

### 3.2.6 Household characteristics

Table 3.5 presents data on the **relationship of adult employees in their household**. Half of low-paid adult employees were partners in a couple household, with the next highest proportion being a non-dependent child. There were similar proportions of low-paid couples that had children under 15 or no children.

Almost 70 per cent of higher-paid adult employees were a partner in a couple household and in close to half of these cases this household had children under 15. Around 6 per cent of both groups are lone parents with low-paid employees more likely to have children under 15 in the household.

**Table 3.5: Relationship of low/higher-paid adult employees in household, 2016**

	Low-paid adult employees (%)	Higher-paid adult employees (%)
Partner in couple household		
With children under 15	21.1	31.8
With only children aged 15 and over	10.0	14.2
No children	18.9	22.8
Lone parent		
With children under 15	4.2	2.4
With only children aged 15 and over	2.1	3.7
Lone person	10.0	10.6
Dependent student	4.8	1.6
Non-dependent child	22.0	9.3
Other person	6.8	3.6
<b>Total</b>	<b>100.0</b>	<b>100.0</b>

Note: A dependent student is aged 15–25 years, studying full-time, not working full-time and lives in a household with their parent. A non-dependent child could be of any age, but could not have a child of their own in the household or be part of a couple. Other persons include other family members and persons unrelated to all other household members (i.e. members of group household).

Source: HILDA, Wave 16.

Examining **earner status in couple households**, Table 3.6 shows that a slightly higher proportion of low-paid employees were the sole earner in the household compared with higher-paid employees (10 per cent and 8 per cent, respectively). Low-paid employees were most likely to be secondary earners (around 63 per cent), with around half of these in a household with children under 15. Around 53 per cent of higher-paid employees were the primary earner, again with around half in a household with a child under 15. In contrast, just over one-quarter of low-paid employees were the primary earner.



**Table 3.6: Earner status of low/higher-paid adult employees of partners in couple households, 2016**

	Low-paid adult employees (%)	Higher-paid adult employees (%)
Sole earner		
With children under 15	5.3	4.9
With only children aged 15 and over	2.6*	1.3
No children	2.4*	1.4
Primary earner		
With children under 15	9.7	24.7
With only children aged 15 and over	4.4*	11.1
No children	13.2	17.1
Secondary earner		
With children under 15	28.2	18.2
With only children aged 15 and over	13.9	8.3
No children	20.4	13.1
<b>Total</b>	<b>100.0</b>	<b>100.0</b>

Note: Earner status is based on the net regular market income of partners in a couple household over the financial year. Regular market income is the sum of wages, business income, investment income and regular private pensions (i.e. Superannuation and Worker's compensation). A partner is a sole earner if their partner has an income of zero and is not otherwise employed. Households with a non-responding partner were omitted.

Although there are an even number of primary and secondary earners across all couple households (as a primary earning partner must have secondary earning partner, and vice versa), there are an unbalanced number of primary and secondary earners in the table above as it only presents estimates for partners who are in our sample of employees only.

\* Estimate has a relative standard error of 25 to 50 per cent and should be used with caution.

Source: HILDA, Wave 16.

Table 3.7 below examines forms of **housing tenure** at the household unit across low-paid and higher-paid adult employee households. For those households with a low-paid adult employee as the main earner,<sup>37</sup> the majority rented their home (55.4 per cent). A relatively higher proportion of those households rented from a public housing authority (3.4 per cent), and lived rent free or had life tenure (4.4 per cent) compared to employee households with at least one low-paid adult employee or households with only higher-paid adults.

For those households with at least one low-paid adult employee or only higher-paid adult employees, the majority of them owned their property or were currently paying off the mortgage (57.9 and 66.4 per cent, respectively).

<sup>37</sup> Being the sole earner of a lone person household, and the sole/primary earning partner of a couple household.

**Table 3.7: Housing tenure of employee households with low-paid/higher-paid adult employees**

	Household with low-paid adult employee as main earner (%)	Households with at least one low-paid adult employee (%)	Households with higher-paid adult employee(s) only (%)
Own/currently paying off mortgage	40.2	57.9	66.4
Renting			
Private	52.0	36.8	30.5
Public	3.4	2.6	1.1
Live rent free / Life tenure	4.4	2.7	2.0
<b>All employee households</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

Note: This question is answered from the Household Questionnaire of the HILDA Survey, usually by one representative of the household. Therefore, although a student or non-dependent child of a couple household may not be paying rent, they will be assigned their parent's or guardian's response. Estimates are weighted according to the household population weight.

Employee households are defined as those households with at least one adult member classified as an employee. The first column refers to those employee households with a low-paid employee assigned as the main earner of the household (i.e. a lone person, lone parent, or the sole/primary earning partner of a couple household).

Private forms of rent includes renting from private landlord, real estate agent, caravan park owner/manager, an employer or a community or co-operative housing group. Public rent includes renting from a government housing authority. Due to very low sample sizes, the 'Other' category was excluded from the analysis. The 'Other' category included those involved in a rent-buy scheme and those renting from other forms of rent not otherwise specified.

Source: HILDA, Wave 16.

## 4 Conclusion and summary

This paper aimed to provide current information on characteristics of NMW earners and the low paid. The findings from this report are consistent with previous studies described in the literature that examined the same characteristics.

Both NMW earners and low-paid adult employees had a high proportion of female employees and casual employees, and a higher proportion of award reliance. There were also high proportions of NMW earners and low-paid adult employees working in small businesses, the Accommodation and food services and Retail trade industries, and working as Sales workers and Labourers.

For all of the characteristics discussed above, higher proportions of NMW earners and low-paid adult employees had these characteristics compared with all employees and higher-paid adult employees, respectively.

Differences between NMW earners and low-paid adult employees were found in part-time employment. More than three-quarters of NMW earners worked part-time hours, compared with less than half of low-paid adult employees. Part of this is due to our definition of NMW earners, which includes those aged between 15 and 20. This group of workers were more likely to be part time mainly due to schooling commitments, whereas they were excluded for the low-paid analysis. Nonetheless, both NMW earners and low-paid adult employees were more likely to be part time compared with all employees and higher-paid adult employees, respectively.

## 5 References

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## Appendix A

**Table A1: Estimates of FMW/NMW earners from previous research**

Author	Survey	FMW/NMW group definition	Population	Estimate	Comments
<b>Healy and Richardson (2006)</b>	HILDA Survey, Wave 4 (2004)	Earning up to \$12.50 per hour (\$0.20 above FMW)	Adult employees in all jobs	9.5% overall, including 2.8% earning within \$11.50 to \$12.50 per hour (\$0.80 below to \$0.20 above the FMW)	<ul style="list-style-type: none"> <li>No adjustment made for casual loadings.</li> <li>Total weekly hours worked across all jobs top coded at 50.</li> </ul>
	Survey of Income and Housing, 2003–04	Earning up to \$12.00 (\$0.20 cents above FMW)	Adult employees	10.3% overall	
<b>Leigh (2007)</b>	Survey of Income and Housing Costs, <i>various</i> ; Survey of Income and Housing, 2002–03.	Minimum wage workers are with hourly earnings between 100% and 120% of the FMW.	Employed persons	Ranges from approximately 12.0% in 1994 to 10% in 2002	
<b>McGuinness et al. (2007)</b>	HILDA Survey, Wave 4 (2004)	Earning up to 110% of the FMW (\$13.53 per hour)	Full-time adult employees in main job (excluding OMIEs)	7.2% overall, including 4.2% within 10% of the FMW	<ul style="list-style-type: none"> <li>Indirectly controlled for those who might be paid a disability or trainee rate of pay</li> </ul>

Characteristics of workers earning the national minimum wage rate and of the low paid

			Part-time adult employees in main job (excluding OMIEs)	17.7% overall, including 7.0% within 10% of the FMW	<ul style="list-style-type: none"> <li>As above</li> </ul>
	EEH, May 2004	Earning up to 110% of the FMW (rounded to \$500 per week or \$13.15 per hour)	Full-time non-managerial adult employees	4.1% overall, including 2.4% within 10% of the FMW	
			Part-time non-managerial adult employees	4.7% overall, including 2.6% within 10% of the FMW	
<b>Dockery et al. (2010)</b>	HILDA Survey, Wave 6 (2006)	Earning up to 110% of the FMW (\$14.82 per hour)	Employees aged 21 to 64 years	11.2% overall	<ul style="list-style-type: none"> <li>Full-time employee earnings divided by 38 to arrive at hourly rate</li> </ul>
<b>Nelms et al. (2011)</b>	HILDA Survey, Wave 7 (2007)	Paid at or below the FMW (\$13.74 per hour)	Adult employees	6.8% overall	<ul style="list-style-type: none"> <li>Usual weekly hours top-coded at 60.</li> <li>20% adjustment made for casual employees</li> </ul>
	SEARS, Apr to Jul 2007	Paid at or below the FMW (\$13.47 per hour)	Adult employees	9.2% overall	<ul style="list-style-type: none"> <li>20% adjustment made for casual employees</li> </ul>
	SIH, 2007–08	Paid at or below the FMW (\$13.74 per hour)	Adult employees	7.4% overall	

Characteristics of workers earning the national minimum wage rate and of the low paid

<b>Bray (2013)</b>	EEH, May 2010	Earning up to 105% of the NMW	Non-managerial adult employees	4.1% overall, included 2.2% within 5% of the NMW	<ul style="list-style-type: none"> <li>• Weekly earnings of FT employees were compared to the weekly NMW and PT hourly earnings were compared to the hourly NMW</li> <li>• 20% adjustment made for casual employees</li> </ul>
	HILDA, Wave 11 (2011)	Earning up to 105% of the NMW	Adult employed persons	9.1% overall	<ul style="list-style-type: none"> <li>• As above.</li> </ul>
<b>Productivity Commission (2015)</b>	EEH, May 2014	Earning up to 110% of the NMW	Employees in the Federal system	7.2% overall	<ul style="list-style-type: none"> <li>• Earnings of those paid junior rates were adjusted as per the <i>Miscellaneous Award 2010</i>.</li> <li>• 25% adjustment made for casual employees</li> </ul>
	HILDA, Wave 13 (2013)	Earning up to 110% of the NMW	Employees across all jobs	17.8% overall	<ul style="list-style-type: none"> <li>• Earnings of juniors (15–20 years) were adjusted as per the <i>Miscellaneous Award 2010</i>.</li> <li>• 25% adjustment made for casual employees</li> <li>• Top-coded hours across all jobs at 60</li> </ul>

Characteristics of workers earning the national minimum wage rate and of the low paid

<b>Australian Government submission to the AWR 2015–16</b>	EEH, May 2014	Earning up to \$16.50 per hour (13 cents above the NMW)	Non-managerial employees paid at the adult rate	1.6% of all employees	25% adjustment made for casual employees
<b>Australian Government submission to the AWR 2016–17</b>	EEH, May 2016	Earning up to \$17.50 per hour (21 cents above the NMW)	Non-managerial employees paid at the adult rate	1.9% of all employees	25% adjustment made for casual employees