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Prevalence and persistence of low-paid award-reliant employment

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The contents of this paper are the responsibility of the author and the research has been conducted without the involvement of members of the Fair Work Commission.

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

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Executive summary

According to the Annual Wage Review 2018–19,¹ data from the Household, Income and Labour Dynamics in Australia (HILDA) Survey showed that in 2017 the pay of 26.4 per cent of Australian employees was set by an award.² While award wages are minimum wages, not all award-reliant employees are considered to be low paid. This is because there is considerable variation in award wages across industries and occupations. It is therefore important to understand the extent to which being paid at the award rate generates low-paid employment—that is, the extent to which award-reliant employees tend to be on lower-level award rates of pay.

The Fair Work Commission has commissioned the Melbourne Institute of Applied Economic and Social Research to produce a report that improves our understanding of the employees who are both low paid and award reliant by analysing their characteristics in comparison with the other employees and studying the persistence of low-paid employment. To this end, the report examines four questions:

1. What is the proportion of low-paid award-reliant employees:
 - a. among all award-reliant employees; and
 - b. among all low-paid employees?
2. What are the individual and household characteristics of low-paid award-reliant employees and how do they compare with other (higher-paid) award-reliant employees and other (non-award-reliant) low-paid employees?
3. How long do low-paid award-reliant employees remain low paid?
4. What is the propensity for an individual to move to a higher-paid job? Does this vary with household circumstances?

The analysis of this report uses data from the HILDA Survey spanning the period 2008 to 2018 (corresponding to Waves 8 to 18). We focus on employees aged 21 years and over. To identify employees who are low paid and award reliant, we need to define award reliance and low pay. The definition of award reliance is recovered from a question that asks employees how their pay is set. One of the response options is 'paid exactly the award rate' and employees selecting this response option are defined to be award reliant. For the low-pay threshold, we follow Broadway and Wilkins (2015) by setting it at two-thirds of the median hourly earnings of employees aged 21 and over.

In this report we first compare *low-paid award-reliant* employees with *all award-reliant* employees and with *all low-paid* employees. We then compare *low-paid award-reliant* employees with three other groups: *higher-paid award-reliant* employees; *low-paid non-award* employees; and *higher-paid non-award* employees.

¹ Fair Work Commission, *Information Note—Characteristics of award-reliant employees*, additional material for the Annual Wage Review 2018–19.

² HILDA Survey estimates of award reliance are somewhat higher than obtained by the Australian Bureau of Statistics in its Survey of Employee Earnings and Hours (an employer survey). For example, the 2018 ABS survey shows that 21.8 per cent of employees were paid exactly the award rate, which is lower than the 26.7 per cent HILDA Survey estimate reported in the 2018-19 annual wage review. Wilkins and Wooden (2011) show that the divergence largely stems from employees in the public sector in the HILDA Survey reporting they are paid the award rate. Most public sector employees are in fact covered by collective agreements, although the ABS (2019) has acknowledged ambiguity arises in some cases, particularly for state government employees with pay set under a state-based industrial relations system. In the analysis of the HILDA Survey data undertaken in this report, all public sector workers are classified as *not* award reliant.

Descriptive information on *low-paid award-reliant* employees

In 2018, the prevalence of *low-paid award-reliant* employment among all adult employees (aged 21 and over) was 5.9 per cent. In the same year, the prevalence of all low-paid employment among adult employees was 14.2 per cent, and the prevalence of all award-reliant employment among all adult employees was 16.2 per cent.

Over the 2008 to 2018 period, there has been a slight trend decline in *low-paid award-reliant* employment. As a point of comparison, the prevalence of *low-paid award-reliant* employment in 2009 was 7.5 per cent. *Low-paid award-reliant* employees are mostly concentrated among young employees: 29.1 per cent of *low-paid award-reliant* employees are aged 21 to 25 compared to 23.7 per cent of all award-reliant employees and 29.7 per cent of all low-paid employees; and 58.9 per cent of *low-paid award-reliant* employees are aged 35 or under. *Low-paid award-reliant* employees are more likely to be women (55.2 per cent). This is around the same as the proportion of all *low-paid* employees who are women (54.1 per cent), but lower than for all award-reliant employees (57.4 per cent). In 2018, the prevalence of *low-paid award-reliant* employment among award-reliant employees was 36.0 per cent, while it was 41.1 per cent among low-paid employees.

When we examine demographics, employment and job characteristics, welfare receipt, financial situation, and household characteristics, we compare *low-paid award-reliant* employees with *higher-paid award-reliant* employees, *low-paid non-award* employees, and *higher-paid non-award* employees.

Although there are differences in many characteristics, the profile of *low-paid award-reliant* employees is more similar to that of *low-paid non-award* employees than that of *higher-paid award-reliant* employees. Significant differences are observable between *higher-paid non-award* employees and the other three groups of employees. The average age of *low-paid award-reliant* employees is 36.0 years, close to the average age of *low-paid non-award* employees (36.6 years) and younger than the average age of *higher-paid award-reliant* employees (39.7 years).

Most *low-paid award-reliant* employees are concentrated at the bottom of the educational attainment distribution, with 19.7 per cent of them have completed at most Year 11 or below. 37.9 per cent of *low-paid award-reliant* employees have never been married or in a de facto relationship. This is close to the proportion of *low-paid non-award* employees (38.5 per cent) and higher than the proportion of *higher-paid award-reliant* employees (30.0 per cent). 55.9 per cent of *low-paid award-reliant* employees are legally married or in a de facto relationship. This proportion is similar to the proportions for *low-paid non-award* and *higher-paid award-reliant* employees, but much lower than found for *higher-paid non-award* employees.

Low-paid award-reliant employees are more likely to be in part-time jobs (58.0 per cent), in casual employment (66.5 per cent) and employed by a temporary agency (3.7 per cent), all characteristics of non-standard employment. The shares of *low-paid non-award* employees who work in part-time jobs or in casual employment are lower than those for *low-paid award-reliant* employees, but closer than those of *higher-paid award-reliant* employees.

On average, *low-paid award-reliant* employees work 28.9 hours a week (in the main job), which is less than *low-paid non-award* and *higher-paid award-reliant* employees, who average around 32 hours a week. Few *low-paid award-reliant* employees are members of a trade union (5.9 per cent), have flexible working arrangements (only 5.3 per cent of them work some of the usual hours at home) or have attended training activities (15.2 per cent). They mainly work in small or medium businesses (74.8 per cent work for a business with fewer than 50 employees) and have a lower average tenure with the current employer (3.5 years) and in the current occupation (5.1 years) than the other three

groups. *Low-paid award-reliant* employees are concentrated in the Retail trade (18.4 per cent) and Accommodation and food services (20.2 per cent) industries. Many *low-paid award-reliant* employees are Sales workers (15.9 per cent), Labourers (24.6 per cent) and Community and personal service workers (19.9 per cent).

Low-paid award-reliant employees have the highest proportion of the four groups of employees who are in receipt of government benefits (16.0 per cent), although they are similar to *low-paid non-award* employees and *higher-paid award-reliant* employees on measures of financial prosperity and financial stress.

The distributions of household structure and relationship in the household of *low-paid award-reliant* employees and *low-paid non-award* employees are similar. Compared to *higher-paid award-reliant* employees, a higher proportion of *low-paid award-reliant* employees live in 'Couple with only non-dependent children' (14.2 per cent), 'Couple with no children' (22.7 per cent) and 'Couple with one dependent child' (14.4 per cent) households. Combining this with information on the employee's relationship in the household, we find that *low-paid award-reliant* employees are more likely to be either young employees who live in couples with few (if any) children, or non-dependent children who still live with their parents. 55.5 per cent of *low-paid award-reliant* employees live with a partner and the average number of dependent children is the lowest among the four employee groups. Most of the *low-paid award-reliant* are secondary earners (57.2 per cent).

Persistence of low-employment and transitions from the *low-paid award-reliant* status

Taking *low-paid award-reliant* employees in each year over the period 2014 to 2017 and observing their circumstances one year later, we find that 37.3 per cent remain *low-paid award-reliant* employees and 17.5 per cent become *low-paid non-award* employees. In addition, 13.6 per cent of *low-paid award-reliant* employees become non-employed (unemployed or out of the labour force altogether) and only 31.6 per cent move to the higher-paid status (with 16.4 per cent *higher-paid award-reliant* and 15.2 per cent are *higher-paid non-award*).

The *low-paid award-reliant* employees found, one year later, to be still in that state or non-employed are, on average, older than other *low-paid award-reliant* employees. Further, *low-paid award-reliant* employees who one year later remain in low-paid employment (whether award reliant or not) are more likely to be lower-educated (Year 11 or below) than those who move to the higher-paid status.

Low-paid award-reliant employees who remain in that state are more likely to live in 'Couple with dependent children' households and they are more likely to be a parent living with dependent children. They are also more likely to be secondary earners than those who move to the higher-paid status.

Transitions to higher-paid employment by *low-paid award-reliant* employees

We estimate the duration of low-paid employment among *low-paid award-reliant* employees and examine how individual and household characteristics affect the probabilities of transitioning to higher-paid employment. We apply duration analysis techniques and estimate the survivor function and the hazard rate function of low-paid employment.³ The probability of moving to higher-paid employment conditional on remaining in low-paid employment until that time (hazard rate) declines with time at risk. The probability of remaining in low-paid employment (survivor function) is 60.9 per

³ Low-paid employment spells also include periods of unemployment/exit from labour force until the employee leaves to higher-paid employment. See Sections 5 for more details.

cent after the first year that employees enter the *low-paid award-reliant* status, 32.2 per cent after three years and 20.6 per cent after five years.

Age is found to have a 'hump' shape relationship with the hazard rate, with the probability of leaving low-paid employment peaking in the 36 to 40 age-range. The higher is educational attainment, the higher is the probability of leaving low-paid employment. Employees who are married or in a de-facto relationship are more likely to exit low-paid employment than those who have never married. Welfare receipt and long-term health conditions that limit the ability to work have a negative impact on hazard rates. Being the main earner in the household increases the probability of moving to higher-paid employment compared to being a sole earner, while being the secondary earner decreases this probability. Finally, we find evidence of negative duration dependence of low-paid employment, meaning that the longer employees remain in low-paid employment, the less likely they are to leave low-paid employment.

1 Introduction

The Australian labour market is characterised by a substantial proportion of employees who are paid at the award rate. Award-reliant employees are not necessarily in low-paid employment. This is because there is considerable variation in award wages across industries and occupations. It is therefore important to understand the extent to which being paid at the award rate generates low-paid employment—that is, the extent to which award-reliant employees tend to be on lower-level award rates of pay, and whether the characteristics of these employees differ from those of other employees.

The Fair Work Commission has commissioned the Melbourne Institute of Applied Economic and Social Research to provide a report that improves our understanding of employees who are both award reliant and low paid. To this end, the report examines four questions:

1. What is the proportion of low-paid award-reliant employees...
 - a. among all award-reliant employees; and
 - b. among all low-paid employees?
2. What are the individual and household characteristics of low-paid award-reliant employees and how do they compare with other (higher-paid) award-reliant employees and other (non-award-reliant) low-paid employees?
3. How long do low-paid award-reliant employees remain low paid?
4. What is the propensity for an individual to move to a higher-paid job? Does this vary with individual and household circumstances?

The analysis of this report uses data from the Household, Income and Labour Dynamics in Australia (HILDA) Survey. Since the focus is on low-paid award-reliant employees and information on award reliance was collected for the first time in Wave 8, the analysis is conducted on data from Waves 8 to 18 (corresponding to the period 2008 to 2018).

The report is composed of three main parts. In Chapter 3, we calculate the prevalence of *low-paid award-reliant* employment among all employees, all *award-reliant* employees and all *low-paid* employees. We then explore personal characteristics of *low-paid award-reliant* employees in comparison with three other groups: *higher-paid award-reliant* employees; *low-paid non-award* employees; and *higher-paid non-award* employees. The characteristics that we examine are both individual and household characteristics. Among the individual characteristics we study are demographics (such as age, sex, education, marital status, health), employment and job characteristics (such as hours of work, contract type, industry, occupation, size of employer, job tenure, work arrangements, trade union membership, training opportunities) and welfare receipt and financial well-being (financial prosperity indicator, financial stress indicators). Among the household characteristics we analyse are household structure, relationship in the household, partnership rate, labour force status of partner, role of employees in the household, childcare use and housing tenure.

Chapter 4 exploits the longitudinal structure of HILDA to examine the persistence of low-paid employment among *low-paid award-reliant* employees. We study transitions from the *low-paid award-reliant* status to the three groups mentioned above. In particular, we look at the proportion of the *low-paid award-reliant* who remain in this status one year later (from when they become *low-paid award-reliant*), and the proportions of the *low-paid award-reliant* who, one year later, are in *low-paid non-award* employment, *higher-paid award-reliant employment*, *higher-paid non-award* employees and *non-employment* (unemployed or out of the labour force). We also study individual characteristics (such as age, education and sex) and household characteristics (such as household

structure, relationship of the employee in the household, role of the employee in the household) and their association with transition types.

Chapter 5 estimates the probability of leaving low-paid employment to a higher-paid job for employees who are initially in *low-paid award-reliant* employment. In this section, we use a dynamic approach by following employees from the time they become *low-paid award-reliant* to the time they first move to a higher-paid job (whether award-reliant or not). In the process to becoming higher-paid employees, *low-paid award-reliant* employees may also experience some periods in which they are unemployed or out of the labour force. We study the duration of low-paid employment for *low-paid award-reliant* employees by estimating the survivor function and the hazard function. The survivor function is the probability that a *low-paid award-reliant* employee has not moved to a higher-paid job by a specific time. The hazard function is the likelihood that a *low-paid award-reliant* employee moves to a higher-paid job given the fact that the individual has been in low-paid employment (or in unemployment/out of the labour force) until that time. We then estimate a discrete time model to examine the household and individual characteristics associated with low-paid employment duration.

The report proceeds as follows. Section 2 describes the data and gives a definition of low-paid employment. Section 3 presents the analysis on the proportion of employees who are *low-paid award-reliant* and shows the individual and household characteristics associated with the *low-paid award-reliant*. Section 4 provides the analysis on transitions from the *low-paid award-reliant* status and presents the characteristics that are associated with transition types. Section 5 examines the duration of low-paid employment among *low-paid award-reliant* and studies the characteristics associated with low-paid employment duration, while Section 6 concludes.

2 Data sources and definitions

2.1 Data

The data source of this report is the HILDA Survey. HILDA is a longitudinal multi-purpose study representative of the Australian population. The focus of HILDA is on aspects of family and household formation, income and work. In HILDA, interviews are conducted on members of sample households every year and most of the questions are repeated regularly.

In this report we use Waves 8 to 18 (corresponding to years 2008 to 2018) and focus on the sample of employees aged 21 and over.⁴ The sample of employees is divided into four groups: *low-paid award-reliant* employees; *higher-paid award-reliant* employees; *low-paid non-award* employees; and *higher-paid non-award* employees.

Our sample is composed of 82,063 employee-year-observations for 15,577 employees aged 21 and over. Breaking down the sample by group there are 4,965 *low-paid award-reliant* employees; 6,821 *low-paid non-award* employees; 8,474 *higher-paid award-reliant* employees, and 61,803 *higher-paid non-award* employees.⁵ When we examine transitions from the *low-paid award-reliant* status (in

⁴ This report focuses on employees paid at the adult rates. For most employees aged under 21, lower (junior) award rates apply.

⁵ When the analysis focuses on years 2017 and 2018, the sample is composed of 916 *low-paid award-reliant* employees, 1,392 *low-paid non-award* employees, 1,689 *higher-paid award-reliant* employees and 12,366 *higher-paid non-award* employees.

Section 5), we limit the analysis to employees who have been *low-paid award-reliant* in at least one year. The sample for this analysis comprises 4,630 person-year-observations for 2,098 individuals.⁶

HILDA contains detailed information on employment and job characteristics and many variables concerning personal and household characteristics. In particular, we use method of setting pay to determine award reliance, and usual wage and number of hours worked to determine low-paid employment. To understand who the *low-paid award-reliant* employees are and make a comparison with the other three groups, we use data on personal characteristics such as age, sex, marital status, number of children, educational attainment, and health conditions and disabilities, as well as employment variables, such as job tenure, occupation, industry, union membership, working arrangements. We also include household characteristics such as number of dependent children, role of the employee in the household, household structure, relationship of employee in the household, partnership rate, partner's labour force status, childcare use and housing tenure.

To facilitate inferences about the Australian population from the data, the HILDA Survey data set contains population weights. When the analysis is conducted on a single wave, we use the cross-sectional weights. In the part of the analysis that studies transitions, we use the applicable longitudinal weights.

2.2 Definitions of award reliance and low-paid employment

Two definitions are the basis of our analysis: award reliance and low-paid employment.

We recover award reliance from a direct question that asks employees whether payment is at the award rate or whether it is set according to a collective agreement, individual agreement or a combination of an individual and collective agreement. This question was first administered in Wave 8 and this is the reason why the analysis of this report does not include the preceding waves. An important issue for this variable is that some public sector workers state they are paid at the award rate (see Wilkins and Wooden, 2011). They are potentially covered by a collective agreement and we recode them into the collective agreement category.⁷

In the literature, the definition of low-paid employment does not have unanimous consensus. Some studies have set the low-pay threshold as a proportion of the Federal Minimum Wage (see for example McGuinness, 2007; Smith and Vavricheck, 1992; and Fok et al., 2015). Other studies have used median earnings as a benchmark and set the low-pay threshold at a fraction (usually two-thirds) of median earnings (Stewart and Swaffield, 1999; Uhlendorff, 2006). More recently the OECD (2019) has proposed to set the threshold at two-thirds of median *weekly* earnings of full-time employees.⁸ This definition is used to determine low-paid employment among full-time employees excluding the large proportion of employees paid at the award rate who work part-time. We observe many award-reliant employees working part-time and decide to follow the UK Office for National Statistics (Office

⁶ In Section 5, the number of *low-paid award-reliant* employees in the analysis sample is much lower because we analyse only spells that *commenced* after 2008.

⁷ The ABS (2019) has, however, acknowledged ambiguity arises in some cases, particularly for state government employees with pay set under a state-based industrial relations system. This could help explain why some public sector employees believe they are paid the award rate rather than having their pay set by a collective agreement.

⁸ The OECD defines full-time employees as employees who work more than 30 hours a week or more than 25 hours a week if they work in teaching professions.

for National Statistics, 2018) and Broadway and Wilkins (2015) by defining the low-paid threshold at two-thirds of median *hourly* earnings of all employees.

Hourly earnings are calculated as the ratio between weekly gross wages earned from the main job and number of hours usually worked in the main job. To avoid our measure being unduly affected by employees reporting very long working hours, we cap at 50 the number of hours worked. Hourly earnings for casual employees are discounted for the 25 per cent casual loading.⁹ To consider only employees paid at the adult rate in the computation of the low-pay threshold, we take as benchmark the two-thirds of the median hourly earnings of employees aged 21 to 64.

Table 1 reports the low-pay thresholds from 2008 to 2018 calculated at nominal prices. The threshold is \$15.63 in 2008 and then grows at the average yearly rate of 2.9 per cent to \$20.91 in 2018.

Table 1: Low-pay thresholds

Year	Hourly Wage (\$)
2008	15.63
2009	16.44
2010	17.00
2011	17.54
2012	18.18
2013	18.67
2014	18.67
2015	19.30
2016	20.00
2017	20.12
2018	20.91

Source: Authors' calculations using Waves 8 to 18 of the HILDA Survey.

The main focus of this report is on *low-paid award-reliant* employees. These are employees who are paid at the award rate and this rate is below the low-pay threshold.

Part of the analysis is conducted to estimate the prevalence of *low-paid award-reliant* employees among all award-reliant employees (that is, employees paid at the award rate regardless of their pay level) and among all low-paid employees (that is, employees who earn below the low-pay threshold, regardless of whether they are paid at the award rate). The remaining part of the analysis compares *low-paid award-reliant* employees with three other groups of employees:

- *Higher-paid award-reliant* employees: employees who are paid at the award rate and this award rate is higher than or equal to the low-pay threshold;
- *Low-paid non-award* employees: employees who are not paid at the award rate and have hourly earnings that are below the low-pay threshold; and
- *Higher-paid non-award* employees: employees who are not paid at the award rate and have hourly earnings that are higher than or equal to the low-pay threshold.

⁹ Casual employees are paid a loading, presumably as compensation for not receiving paid annual or sick leave and for less certainty about hours of work and indeed future employment.

3 Descriptive information

This section provides some descriptive information to understand the importance of *low-paid award-reliant* employees in the Australian labour market and describe their characteristics.

We first present the evolution of the prevalence rate for *low-paid award-reliant* employees between 2008 and 2018 and compare it with the evolution of the prevalence rates for all award-reliant employees and all low-paid employees.

We then explore the characteristics of *low-paid award-reliant* employees in comparison with the characteristics of the *higher-paid award-reliant* employees, *low-paid non-award* employees and *higher-paid non-award* employees. In particular, we examine personal, household and employment-related characteristics.

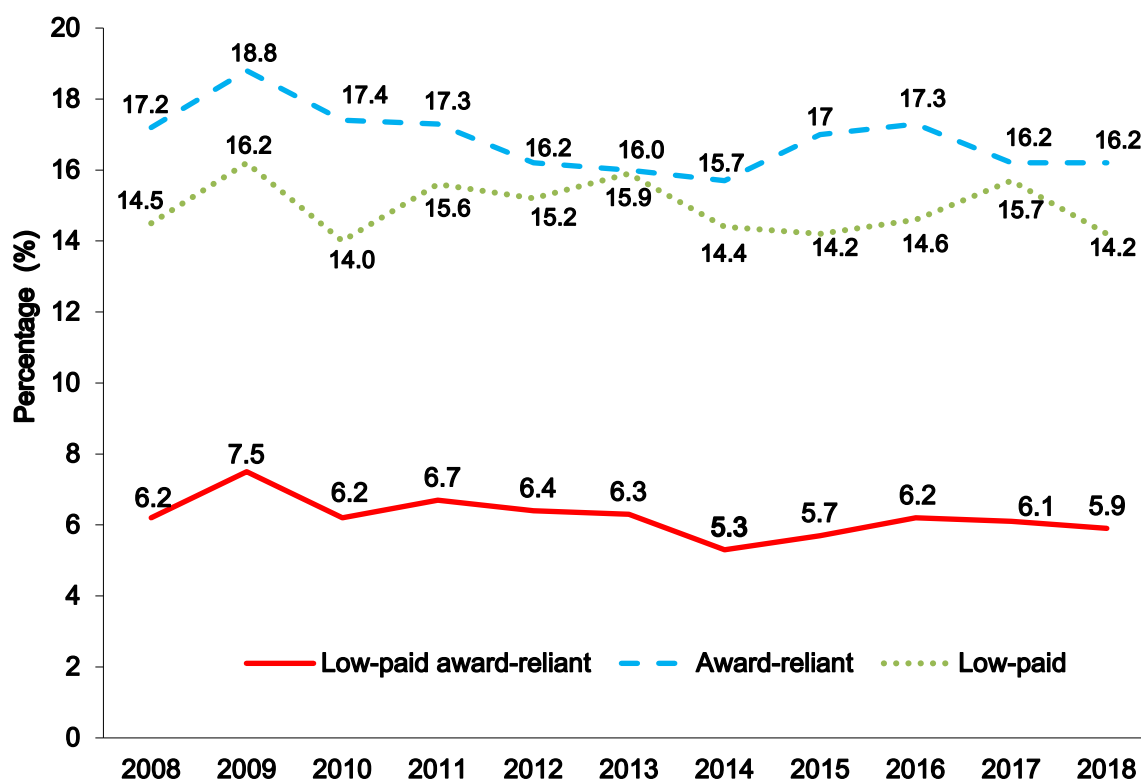
3.1 Prevalence of *low-paid award-reliant* employees

In Australia a substantial proportion of workers is in low-paid employment and a substantial proportion is paid at the award rate. To understand the relationship between award reliance and low-paid employment, we calculate the prevalence of *low-paid award-reliant* employment among all employees and compare it with the prevalence of award-reliant employees and the prevalence of low-paid employees.

In 2018, 5.9 per cent of employees were *low-paid award-reliant*, while 14.2 per cent were low paid and 16.2 per cent were award reliant. This implies that many low-paid employees are not award-reliant and vice versa. Figure 1 shows trends in the prevalence of each of the three groups. Trends follow a similar pattern: they all increase in 2009 and then decline afterwards.

The proportion in *low-paid award-reliant* employment dropped from 7.5 per cent in 2009 to 5.9 per cent in 2018—a 21 per cent decrease—while the proportion in award-reliant employment was 18.8 per cent in 2009 and 16.2 per cent in 2018, a decrease of 14 per cent. The prevalence of low-paid employment also decreased, from 16.2 per cent in 2009 to 14.2 per cent in 2018, a 14 per cent decrease. It warrants note, however, that while trends of *low-paid award-reliant* employment and award-reliant employment decline quite smoothly, there are larger fluctuations in low-paid employment from year to year.

Figure 1: Prevalence of *low-paid, award-reliant and low-paid award-reliant* employees among all employees—Employees aged 21 and over



Source: Authors' calculations using Waves 8 to 18 of the HILDA Survey.

We now compare *low-paid award-reliant* employees, all award-reliant employees and all low-paid employees according to two important characteristics, age and sex. Table 2 shows the age distribution separately for the three groups in 2017 and 2018 (with the two years pooled to increase sample sizes and thus improve precision of the estimates).¹⁰ The data suggest that being paid at the award rate and being low paid are more prevalent among young adults. Almost 30 per cent of *low-paid award-reliant* employees are aged 21 to 25 and 58.9 per cent are aged under 35 or under.¹¹

The statistics for low-paid employees are very close to those for the *low-paid award-reliant* (29.7 per cent are aged 21 to 25 and 58.8 per cent are aged 35 or under), while the figures for award-reliant employees are lower (23.7 per cent are aged 21 to 25 and 50.3 per cent are aged 35 or under). The share of *low-paid award-reliant* employees decreases with age to 6.3 per cent for the category “aged 36 to 40”, then grows. The age distribution follows a similar pattern for award-reliant employees and low-paid employees.

The prevalence of *low-paid award-reliant* drops to around 6 per cent among employees aged 36 to 40 and then grows among employees aged 41 to 45. This increase is greater for award-reliant employees (9.5 per cent, which is similar to 9 per cent for *low-paid award-reliant*) than for low-paid employees (7.8 per cent). The share of all three groups declines at older ages, although it decreases

¹⁰ In Appendix A.1 we replicate Table 2 including employees aged under 21.

¹¹ We sum the share of *the low-paid award-reliant* that are aged 21 to 25 with the share aged 26 to 30 and the share aged 31 to 35.

at a faster rate among *low-paid award-reliant* employees than among the other two groups. Only 16.9 per cent of *low-paid award-reliant* employees are aged 51 or over, compared to 22.1 per cent of award-reliant employees and 19.9 per cent of low-paid employees.

Table 2: Age distributions of low-paid employees, award-reliant employees and *low-paid award-reliant* employees, 2017 and 2018 (pooled)—Employees aged 21 and over (%)

Age (years)	Low-paid	Award-reliant	<i>Low-paid award-reliant</i>	All Employees
21 to 25	29.7	23.7	29.1	13.5
26 to 30	16.3	14.1	14.2	13.5
31 to 35	12.8	12.5	15.6	13.3
36 to 40	6.0	6.7	6.3	11.4
41 to 45	7.8	9.5	9.0	12.0
46 to 50	7.4	11.3	8.9	11.6
51 to 55	6.8	8.0	5.5	9.7
56 to 60	6.6	8.3	6.6	8.4
61 and above	6.5	5.8	4.8	6.6
Total	100.0	100.0	100.0	100.0

Source: Authors' calculations using Waves 17 and 18 of the HILDA Survey.

Table 3 examines sex differences in low-pay and award-reliant status, again drawing on pooled data from 2017 and 2018. The data show that women are more likely to be in low-paid employment and are more likely to be paid at the award rate. Indeed, 55.2 per cent of adult employee women are *low-paid award-reliant*, around the same as for the low-paid status (54.1 per cent are women) but lower than for the award-reliant status (57.4 per cent are women).

Table 3: Prevalence of low-paid employees, award-reliant employees and *low-paid award-reliant* employees, by sex, 2017 and 2018 (pooled)—Employees aged 21 and over (%)

Sex	Low-paid	Award-reliant	<i>Low-paid award-reliant</i>	All Employees
Men	45.9	42.6	44.8	51.0
Women	54.1	57.4	55.2	49.0
Total	100.0	100.0	100.0	100.0

Source: Authors' calculations using Waves 17 and 18 of the HILDA Survey.

To obtain a complete picture of *low-paid award-reliant* employees, we now examine their prevalence among the group of all award-reliant employees and among the group of all low-paid employees. Table 4 shows how the prevalence changes over time. The fraction of award-reliant employees who are low paid is 36.0 per cent in 2008, grows up to 40.0 per cent in 2009, and except for year 2010 stays quite stable until 2014, when it falls to 33.6 per cent. There is then an increasing trend up to year 2017, before falling to 36.0 per cent in 2018. The fraction of low-paid employees who are award reliant is 42.5 per cent in 2008, rises to 46.4 per cent in 2009, starts declining until 2014, rises to 42.4 per cent in 2016, and then drops again to 41.1 per cent in 2018.

Table 4: Prevalence of *low-paid award-reliant* employees among the award-reliant and among the low-paid—Employees aged 21 and over (%)

Year	Award-reliant	Low-paid
2008	36.0	42.5
2009	40.0	46.4
2010	35.5	43.9
2011	38.6	42.9
2012	39.6	42.2
2013	39.6	39.9
2014	33.6	36.4
2015	33.8	40.3
2016	35.7	42.4
2017	37.6	38.9
2018	36.0	41.1

Source: Authors' calculations using Waves 8 to 18 of the HILDA Survey.

Three points are worthy of mention. First, the large fall in prevalence that occurred in 2014 is mostly due to the proportion of employees who were *low-paid award-reliant* employees being at its lowest level in that year (5.3 per cent, see Figure 1). Second, more than half of employees who are award-reliant and more than half who are low-paid are *not low-paid award-reliant*. Third, low-paid employees are more likely to be *low-paid award-reliant* than award-reliant employees in the period spanning 2008 to 2018.¹²

In Table 5 we see that the fraction of *low-paid award-reliant* employees among award-reliant employees and among low-paid employees depends on age. The proportion of *low-paid award-reliant* employees among award-reliant employees is higher for young adults and then it declines with age, while the distribution of the proportion of *low-paid award-reliant* employees among low-paid employees across age has a 'hump' shape.

The proportion who are *low-paid award-reliant* is around 45 per cent for award-reliant employees aged 21 to 25 and 31 to 35, drops to around 35 per cent among award-reliant employees aged 36 to 45, and is between 25.2 per cent and 30.4 per cent at older ages. This means that older award-reliant employees are more likely to be on awards that pay relatively high minimum wages than young award-reliant employees.

The proportion of *low-paid award-reliant* employees is lower than 40 per cent for low-paid employees aged 21 to 25 and 26 to 30, rises to more than 40 per cent at ages 31 to 50 years, and then falls again to under 40 per cent among low-paid employees at ages 51 and above.

¹² Exceptions are years 2010 and 2016 and marginally 2008 and 2015.

Table 5: Prevalence of *low-paid award-reliant* employees among the award-reliant and among the low-paid, by age group, 2017 and 2018 (pooled)—Employees aged 21 and over (%)

Age	Among award-reliant	Among low-paid
21 to 25	45.2	39.2
26 to 30	37.0	34.7
31 to 35	45.9	48.7
36 to 40	34.4	41.7
41 to 45	34.9	46.2
46 to 50	29.1	48.2
51 to 55	25.2	32.4
56 to 60	29.1	39.5
61 and above	30.4	29.6

Source: Authors' calculations using Waves 17 and 18 of the HILDA Survey.

Table 6 shows the prevalence by sex. While the proportion of the low paid who are *low-paid award-reliant* is roughly the same among the two sexes (39.1 per cent for men and 40.7 per cent for women), the prevalence of *low-paid award-reliant* employees among the award reliant is higher for men (38.7 per cent) than women (35.4 per cent).

Table 6: Prevalence of low-paid award-reliant employees among the award-reliant and among the low-paid, by sex, 2017 and 2018 (pooled)—Employees aged 21 and over (%)

Sex	Award-reliant	Low-paid
Men	38.7	39.1
Women	35.4	40.7

Source: Authors' calculations using Waves 17 and 18 of the HILDA Survey.

3.2 Personal characteristics of *low-paid award-reliant* employees

3.2.1 Demographics

In this section we analyse personal characteristics of *low-paid award-reliant* employees and compare them with the characteristics of three other groups: *higher-paid award-reliant* employees, *low-paid non-award* employees and *higher-paid non-award* employees.

Table 7 shows differences in age, sex, educational attainment, marital status and long-term health condition rates. We will see that *low-paid award-reliant* are more likely to be young, women and never married and with a higher probability of having long-term health conditions that affect the amount of work they can do. They are also more likely to have achieved a lower educational level. This is in part explained by the fact that a relatively high percentage of *low-paid award-reliant* are still studying. Going through the demographic characteristics we will see that although *low-paid award-reliant* employees have different characteristics compared to the other three groups, they have more similarities with *low-paid non-award* employees than with *higher-paid award-reliant* employees.

Table 7: Demographic characteristics of *low-paid award-reliant* employees, *low-paid non-award* employees, *higher-paid award reliant* employees and *higher-paid non-award* employees, 2017 and 2018 (pooled)—Employees aged 21 and over

	<i>Low-paid award-reliant</i>	<i>Low-paid non-award</i>	<i>Higher-paid award-reliant</i>	<i>Higher-paid non-award</i>	All Employees
1. Prevalence (%)	6.0	9.0	10.2	74.8	100.0
2. Age in years (mean)	36.0	36.6	39.7	41.5	40.6
3. Sex (%)					
Women	55.2	53.5	58.7	46.7	49.0
Men	44.8	46.5	41.3	53.3	51.0
4. Currently studying (%)	17.5	21.2	16.2	9.0	11.3
5. Highest Level of Education (%)					
Postgraduate	3.7	5.9	5.2	11.4	9.8
Grad diploma, grad certificate	2.4	2.4	2.7	8.6	7.1
Bachelor or honours degree	10.2	16.2	14.3	25.0	22.3
Advanced diploma, diploma	8.6	9.4	12.5	11.3	11.1
Certificate III or IV	27.9	22.8	28.4	22	23.1
Year 12	27.4	26.5	16.6	12.9	15.3
Year 11 and below	19.7	16.8	20.3	8.8	11.3
6. Marital Status (%)					
Legally married	41.4	37.2	40.6	55.5	51.5
De facto	14.5	16.9	16.4	15.6	15.7
Separated	2.6	2.0	3.7	2.7	2.7
Divorced	3.3	4.2	7.9	5.2	5.3
Widowed	0.4	1.2	1.4	0.9	0.9
Never married and not de facto	37.9	38.5	30.0	20.1	23.9
7. Long Term Health Condition (%)					
No long-term condition	77.9	81.0	82.0	84.8	83.7
Long-term health conditions have no impact on the amount of work	9.9	8.3	8.2	8.5	8.5
Long-term health conditions limit type or amount of work	12.2	10.7	9.8	6.7	7.8

Source: Authors' calculations using Waves 17 and 18 of the HILDA Survey

As shown in the first row of Table 7, *higher-paid non-award* employees constitute the largest group of employees (74.8 per cent), while the remaining 25.2 per cent of employees are low-paid, award-reliant, or both. Note that employees who are *low-paid award-reliant* are the smallest group, comprising 6.0 per cent of employees, while *low-paid non-award* employees account for 9.0 per cent of employees and *higher-paid award-reliant* employees account for 10.2 per cent of employees.

As we have seen in Section 3.1, *low-paid award-reliant* employees are more concentrated at younger ages. This is confirmed by the average age of *low-paid award-reliant* employees, which is 36.0 years. This is quite close to the average age of *low-paid non-award* employees, but much lower than the average age of the two other groups. If low-paid employment is more spread among young employees, award reliance persists at older ages. The average age of *higher-paid award-reliant* employees is 39.7 while *higher-paid non-award* employees are unsurprisingly the oldest group being on average 41.5 years old.

Women tend to be more affected by both award reliance and low-paid employment (see also Table 3). The highest proportion of female employees is among the *higher-paid award-reliant* (58.7 per cent), while the shares of *low-paid award-reliant* and *low-paid non-award* are, respectively, 55.2 per cent and 53.5 per cent. The only group where men are the majority is *higher-paid non-award* employees (where women are 46.7 per cent).

Award reliance and low-paid employment is more common among employees that are enrolled in a course of study. This explains the younger average age and as we will note in the next section the lower average number of hours worked by *low-paid award-reliant*, *low-paid non-award* and *higher-paid award-reliant* with respect to *higher-paid non-award* employees. The group with the highest share of employees that currently studies is *low-paid non-award* (21.2 per cent), while the share is 17.5 per cent among *low-paid award-reliant* and 16.2 per cent among *higher-paid award-reliant*. All the three shares are significantly higher than the percentage for *higher-paid non-award* employees (9.0 per cent).

The next row of Table 7 reports the highest educational attainment distribution for each group. *Low-paid award-reliant* employees are concentrated at the bottom of the educational attainment distribution. Around 20 per cent of *low-paid award-reliant* employees have completed Year 11 or below and 47.1 per cent¹³ have achieved Year 12 or below.

The proportion of low-educated employees is also high among *low-paid non-award* employees and *higher-paid award-reliant* employees. The percentage of employees who have completed Year 11 or below is respectively 16.8 per cent and 20.3 per cent, while the proportion of employees who have achieved Year 12 or below is 43.3 per cent for *low-paid non-award* employees and 36.9 per cent for *higher-paid award-reliant* employees.

Unsurprisingly, fewer *higher-paid non-award* employees are low-educated: only 8.8 per cent have completed Year 11 or below and 21.7 per cent have achieved Year 12 or below. Conversely, we find few *low-paid award-reliant* employees at the top of the highest educational attainment distribution. Among the four groups, *low-paid award-reliant* employees have the lowest proportions holding a postgraduate degree (3.7 per cent), bachelor or honours degree (10.2 per cent) or advanced diploma (8.6 per cent). The shares of *low-paid non-award* and *higher-paid award-reliant* in the three categories are slightly higher, although they are much lower than among *higher-paid non-award*

¹³ This is the sum of the share of *low-paid award-reliant* employees that hold “Year 11 and below” and the share that achieved “Year 12” as the highest level of educational attainment.

employees. In fact, 11.4 per cent of *higher-paid non-award* employees hold a postgraduate degree (compared to around 5 per cent for *low-paid non-award* and *higher-paid award-reliant*) and 25.0 per cent have achieved bachelor or honours degrees (compared to 16.2 per cent for *low-paid non-award* employees and 14.3 per cent for *higher-paid award-reliant* employees).

Moving to the next characteristic shown in Table 7, marital status, we can see that *low-paid non-award* employees are split almost evenly between legally married (37.2 per cent) and never married (38.5 per cent). We can observe similar shares among the *low-paid award-reliant*: 41.4 per cent of *low-paid award-reliant* employees are legally married and 37.9 per cent are never married. The higher prevalence of legal marriage among *low-paid award-reliant* employees is partially compensated by the lower proportion in a de facto relationship (14.5 per cent versus 16.9 per cent for *low-paid non-award* employees).

Higher-paid award-reliant employees also present a similarly high proportion who are legally married (40.6 per cent), but a lower proportion who have never married (30.0 per cent). In fact, *higher-paid award-reliant* employees have the highest rates of being separated (3.7 per cent) and divorced (7.9 per cent). On the other hand, *higher-paid non-award* employees have high rates of being legally married (55.5 per cent) and low rates of being never married (20.1 per cent). The lower proportion of never married among *higher-paid award-reliant* and *higher-paid non-award* employees can be explained by the higher average age of employees in these two groups.

We finally examine the share of *low-paid award-reliant* employees who suffer from a long-term health condition. *Low-paid award-reliant* employees are the group with the lowest proportion of employees with no long-term health condition (77.9 per cent) and the highest proportion of employees reporting that a long-term health condition limits the amount of work they do (12.2 per cent). *Low-paid non-award* employees and *higher-paid award-reliant* employees show slightly higher rates of employees with no long-term health condition (around 81 per cent) and slightly lower rates of employees with working limitations (around 10 per cent). Finally, *higher-paid non-award* employees are the group with the highest proportion of employees with no long-term health condition (84.8 per cent) and the lowest proportion of employees with working limitations due to long-term health conditions (6.7 per cent).

3.2.2 Employment and job characteristics

In Table 8 we compare employment and job characteristics of *low-paid award-reliant* employees with the characteristics of the other three groups of employees. As we will see going through the data, *low-paid award-reliant* employees are more likely to be in part-time jobs, in casual employment and employed by a temporary agency, all typical characteristics of non-standard employment.¹⁴ The prevalence of non-standard employment among *low-paid award-reliant* employees is associated with the relative high proportion of these workers who are low-educated and young, two groups in which non-standard jobs are common.

The first row of Table 8 shows that *low-paid award-reliant* employees work in the main job on average only 28.9 hours a week, much less than *higher-paid non-award* employees, who work on average 38.6 hours a week. *Low-paid award-reliant* employees also work on average less than the other two

¹⁴ In the report "Non-standard employment around the world: Understanding challenges, shaping prospects" the Industrial Labour Organisation (ILO) defines four characteristics of non-standard employment: (a) fixed-term or casual basis contracts; (b) part-time jobs; (c) being hired by a temporary agency; and (d) disguised employment relationships and dependent self-employment. When we refer to non-standard form of employment we consider characteristics a), b) and c).

employee groups. In fact, *low-paid non-award* employees and *higher-paid award-reliant* employees respectively average 32.1 and 32.7 hours per week.

Table 8: Employment and job characteristics of *low-paid award-reliant* employees, *low-paid non-award* employees, *higher-paid award-reliant* employees and *higher-paid non-award* employees, 2017 and 2018 (pooled)—Employees aged 21 and over

	<i>Low-paid award-reliant</i>	<i>Low-paid non-award</i>	<i>Higher-paid award-reliant</i>	<i>Higher-paid non-award</i>	All Employees
1. Hours of work – main job (mean)	28.9	32.1	32.7	38.6	36.8
2. Full-time job (%)	42.0	54.7	57.7	76.6	70.6
3. Contract type (%)					
Fixed-term contract	2.9	9.8	6.9	12.1	10.8
Casual basis	66.5	48.1	27.0	7.6	16.7
Permanent contract	30.6	42.2	66.1	80.4	72.5
4. Hired through a labour hire firm or a temporary agency (%)	3.7	3.4	3.4	1.8	2.2
5. Work Schedule (%)					
Regular daytime schedule	71.6	76.0	76.7	82.1	80.3
Regular evening shift	7.2	4.1	4.7	2.1	2.8
Regular night shift	2.3	2.7	3.7	1.7	2.1
Rotating shift	6.7	5.1	8.2	8.8	8.3
Split shift	1.6	2.4	2.0	0.6	1.0
On call	1.8	1.6	0.8	0.6	0.8
Irregular schedule	8.8	8.1	3.9	4.0	4.7
6. Union Membership (%)	5.9	12.2	17.0	28.1	24.2
7. Any training in the last 12 months (%)	15.2	26.2	29.3	38.4	35.0
8. Some of usual working hours worked at home (%)	5.3	13.3	6.4	23.1	19.5
9. Number employed at place of work (%)					
1 to 4	13.8	19.4	8.3	6.6	8.3
5 to 9	20.6	18.0	15.3	8.5	10.7
10 to 19	21.8	15.5	18.1	10.7	12.5
20 to 49	18.6	16.9	22.0	16.7	17.4
50 to 99	9.6	10.0	13.2	13.7	13.1
100 to 199	8.8	7.9	11.4	13.0	12.1
200 to 499	4.2	6.3	6.8	11.2	9.9
500 or more	2.7	5.8	4.9	19.7	16.0
10. Tenure with current employer in years (mean)	3.5	4.6	5.0	7.8	7.0
11. Tenure in current occupation in years (mean)	5.1	6.6	7.7	10.4	9.4

Prevalence and persistence of low-paid award-reliant employment

	<i>Low-paid award-reliant</i>	<i>Low-paid non-award</i>	<i>Higher-paid award-reliant</i>	<i>Higher-paid non-award</i>	All Employees
12. Industry (%)					
Agriculture, forestry and fishing	5.9	3.9	1.0	0.6	1.2
Mining	0.1	0.1	0.6	2.5	2.0
Manufacturing	10.3	5.7	9.0	7.9	8.0
Electricity, gas, water and waste services	0.2	0.3	0.7	1.6	1.3
Construction	5.7	6.1	4.7	6.5	6.2
Wholesale trade	2.0	3.1	3.0	3.3	3.2
Retail trade	18.4	14.8	15.6	5.9	8.5
Accommodation and food services	20.2	9.9	8.5	2.0	4.4
Transport, postal and warehousing	5.0	5.4	6.8	4.6	4.9
Information media and telecommunications	0.4	2.2	0.9	2.0	1.8
Financial and insurance services	0.5	1.4	2.6	5.8	4.7
Rental, hiring and real estate services	0.7	3.0	1.1	1.4	1.5
Professional, scientific and technical services	1.9	5.4	2.8	8.9	7.6
Administrative and support services	5.8	4.2	2.6	2.2	2.6
Public administration and safety	1.1	2.4	1.2	9.2	7.3
Education and training	1.3	9.7	4.7	13.7	11.7
Health care and social assistance	13.6	14.7	27.9	17.4	18.0
Arts and recreation services	2.3	2.8	2.2	1.6	1.8
Other services	4.6	4.9	4.1	2.8	3.3
13. Occupation (per cent)					
Managers	2.9	6.5	5.1	15.8	13.1
Professionals	3.3	11.7	11.1	34.0	27.8
Technicians and trades workers	13.7	11.4	11.0	11.2	11.3
Community and personal service workers	19.9	18.9	23.9	9.8	12.7
Clerical and administrative workers	9.3	13.4	13.4	14.9	14.3
Sales workers	15.9	14.3	12.1	4.4	6.8
Machinery operators and drivers	10.4	7.5	10.8	5.4	6.4
Labourers	24.6	16.3	12.5	4.6	7,6
14. Overall job satisfaction (scale 0-10)	7.4	7.4	7.6	7.6	7.6
15. Pay satisfaction (scale 0-10)	6.6	6.6	6.9	7.4	7.2
16. Hours satisfaction (scale 0-10)	7.1	7.1	7.3	7.4	7.3
17. More than one job (per cent)	9.0	13.0	8.4	6.4	7.4
18. Hours of work – all jobs (mean)	29.9	33.4	33.5	39.3	37.6

	<i>Low-paid award-reliant</i>	<i>Low-paid non-award</i>	<i>Higher-paid award-reliant</i>	<i>Higher-paid non-award</i>	All Employees
19. Would prefer to work...(%)					
...fewer hours	10.6	18.0	14.0	28.1	24.7
...about the same hours	56.6	58.4	60.3	61.9	61.1
...more hours	32.8	23.6	25.7	10.0	14.2

Source: Authors' calculations using Waves 17 and 18 of the HILDA Survey.

The lower average number of hours worked reflects the smaller proportion of *low-paid award-reliant* employees who are employed in a full-time job (42.0 per cent).¹⁵ This is significantly less than the proportion of *higher-paid non-award* employees who are full-time employees (76.6 per cent), but also lower than the share of *low-paid non-award* employees (54.7 per cent) and *higher-paid award-reliant* employees (57.7 per cent) employed in full-time jobs.

Contract type is a dimension that differentiates the four groups. Most of the *low-paid award-reliant* are hired on a casual basis (66.5 per cent), with only 30.6 per cent on permanent contracts and 2.9 per cent on fixed-term contracts.

Among *higher-paid non-award* employees, the vast majority are hired on permanent contracts (80.4 per cent) with few cases of casual employment (7.6 per cent). Although it is lower than for *low-paid award-reliant* employees, the prevalence of casual employment is more relevant for *low-paid non-award* employees (48.1 per cent) than for *higher-paid award-reliant* employees (27.0 per cent). On the other hand, 44.2 per cent of *low-paid non-award* employees are hired on permanent contracts. This is a higher proportion than found for *low-paid award-reliant* employees, but significantly less than found for *higher-paid award-reliant* employees (66.1 per cent).

Looking at the percentage of fixed-term contracts, *low-paid award-reliant* present the lowest proportion (2.9 per cent) and *higher-paid non-award* employees the highest (12.1 per cent), while the prevalence of *low-paid award-reliant* employees (9.8 per cent) is higher than the prevalence of *higher-paid award-reliant* employees (6.9 per cent).

Non-standard employment for *low-paid award-reliant* employees can be also seen by the share of employees hired by temporary agencies (3.7 per cent). Although it is quite small and only marginally higher than the share of *low-paid non-award* employees and *higher-paid award-reliant* employees, the share of *low-paid award-reliant* employees is twice as large as the share of *higher-paid non-award* employees.

We also find that fewer *low-paid award-reliant* employees work in a job with a regular work schedule. The proportion of *low-paid award-reliant* employees who work a regular daytime schedule is 71.6 per cent, which is 10.5 percentage points less than the proportion for *higher-paid non-award* employees.

The prevalence for both *low-paid non-award* employees and *higher-paid award-reliant* employees lies in-between, with around 76 per cent working a daytime regular schedule. On the other hand, *low-paid award-reliant* employees are more likely to be working an irregular schedule. This is a characteristic that the *low-paid award-reliant* share with *low-paid non-award* employees. In fact, more

¹⁵ Full-time workers are defined as employees who work 35 hours or more in the main job.

than 8 per cent of both groups works an irregular schedule, which is around twice the proportion found for *higher-paid award-reliant* and *higher-paid non-award* employees.

Finally, 17.8 per cent of the *low-paid award-reliant* are shift workers,¹⁶ similar to the prevalence for *higher-paid award-reliant* employees (18.6 per cent) and higher than the prevalence for *low-paid non-award* employees (14.3 per cent) and *higher-paid non-award* employees (13.2 per cent).

Low-paid award-reliant employees are the least likely to be unionised, with only 5.9 per cent being union members. Differences in union membership are also observed between the other employee groups. Around 12 per cent of *low-paid non-award* employees are in a union, a proportion that is more than twice as much as for *low-paid award-reliant* employees, but significantly lower than for *higher-paid award-reliant* employees (17.0 per cent) and *higher-paid non-award* employees (28.1 per cent).

Few *low-paid award-reliant* employees (5.3 per cent) work from home, even for a few hours. This is a characteristic shared with *higher-paid award-reliant* employees, while 13.3 per cent of *low-paid non-award* employees and 23.1 per cent of *higher-paid non-award* employees work from home for some of their working hours.

Employers also tend to invest less in the development of *low-paid award-reliant* employees, only 15.2 per cent of *whom* engage in work-related training over the course of a year. This is approximately half the proportion of *higher-paid award-reliant* employees engaging in work-related training (29.3 per cent). The prevalence of work-related training among *low-paid non-award* employees (26.2 per cent) is slightly lower than the prevalence among *higher-paid award-reliant* employees, while *higher-paid non-award* employees have the highest prevalence, at almost 40 per cent.

Low-paid award-reliant and *low-paid non-award* employees have a higher probability of working in small and medium-sized businesses than *higher-paid* employees. Around 75 per cent of *low-paid award-reliant* and 69.8 per cent of *low-paid non-award* employees work for a business with fewer than 50 employees, compared to 63.7 per cent of *higher-paid award-reliant* and only 42.5 per cent of *higher-paid non-award* employees.

Low-paid award-reliant employees also tend to have lower job tenure and lower occupation tenure than the other three employee groups. On average, *low-paid award-reliant* employees have worked 3.5 years with the current employer and 5.1 years in the current occupation. By contrast, *higher-paid non-award* employees have on average the highest job tenure (7.8 years) and occupation tenure (10.4 years). Mean job tenure is 4.6 years for *low-paid non-award* employees and 5.0 years for *higher-paid award-reliant* employees, while mean occupation tenure for these two groups of employees is 6.6 and 7.7 years, respectively.

The 12th and 13th panels of Table 8 shows differences in the industry and occupation composition, and the 14th to 16th panels show differences in employee satisfaction with aspects of their job, across the four employee groups. *Low-paid award-reliant* employees are concentrated in retail trade (18.4 per cent), accommodation and food services (20.2 per cent), and manufacturing (10.3 per cent). Moreover, compared to the other employee groups, a high proportion of these employees are found

¹⁶ The percentage of shift workers is the sum of the share of employees with regular evening shift, regular night shift, rotating shift and split shift.

in agriculture (5.9 per cent) and they are less likely to work in professional, scientific and technical services (1.9 per cent) and education and training (1.3 per cent).

The differences in industry composition between *low-paid award-reliant* employees and *higher-paid non-award* employees are especially striking. Among *higher-paid non-award* employees, only 5.9 per cent work in retail, 2.0 per cent work in accommodation and food services, 7.9 per cent work in manufacturing and 0.6 per cent work in agriculture.

Low-paid non-award employees and *higher-paid award-reliant* employees are, like *low-paid award-reliant* employees, also concentrated in retail (respectively 14.8 per cent and 15.6 per cent) and accommodation and food services (respectively 9.9 per cent and 8.5 per cent), but these shares are lower than are found for *low-paid award-reliant* employees.

The most common industry for *higher-paid award-reliant* employees is health care and social assistance (27.9 per cent). This is also the most common industry for *higher-paid non-award* employees (17.4 per cent), among whom professional, scientific and technical services (8.9 per cent), education and training (13.7 per cent) and public administration and safety (9.2 per cent) also feature strongly.

In terms of the occupation composition, many *low-paid award-reliant* employees are labourers (24.6 per cent), community and personal service workers (19.9 per cent) and sales workers (15.9 per cent). We can see large differences in the shares of these occupations between *low-paid award-reliant* and *higher-paid non-award* employees. In fact, only 4.4 per cent of *higher-paid non-award* employees are sales workers, 4.6 per cent are labourers and 9.8 per cent are community and personal service workers.

Unsurprisingly, we find small fractions of *low-paid award-reliant* employees are managers (2.9 per cent) and professionals (3.3 per cent). By contrast, managers account for 15.8 per cent of *higher-paid non-award* employees, while professionals account for 34.0 per cent of these employees. We also note that the occupation distributions of *low-paid non-award* employees and *higher-paid award-reliant* employees are quite similar. However, the fractions of labourers and sales workers are larger for *low-paid non-award* employees, while community and personal service workers and machinery operators and drivers are comparatively high proportions of *higher-paid award-reliant* employees.

Finally, we evaluate employee satisfaction with their pay, their hours and the job overall. Interestingly, the average of all the three indicators is the same for *low-paid award-reliant* and *low-paid non-award* employees. Average satisfaction is also, for all three measures, slightly lower for these two groups of employees than for both *higher-paid non-award* employees and *higher-paid award-reliant* employees.

On average, both *low-paid award-reliant* and *low-paid non-award* employees assess their overall job satisfaction at 7.4 on a scale from 0 to 10. The score for both *higher-paid non-award* employees and *higher-paid award-reliant* employees is 7.6. In terms of pay satisfaction and hours satisfaction, for both *low-paid award-reliant* employees and *low-paid non-award* employees, the mean scores are 6.6 and 7.1, respectively.

Two further aspects of the findings on satisfaction with aspects of the job are worthy of note. First, on average, the lowest indicator for the two groups in low-paid employment is pay satisfaction. Second, while hours satisfaction is similar for *higher-paid non-award* employees and *higher-paid award-reliant* employees, the pay satisfaction for *higher-paid award-reliant* employees (6.9) is lower than the pay satisfaction for *higher-paid non-award* employees (7.4).

We have seen that *low-paid award-reliant* employees work on average only 28.9 hours in the main job, so we now investigate whether this is offset by a greater propensity to hold multiple jobs. From Table 8, we can see that the proportion of *low-paid award-reliant* employees who work in more than one job is 9.0 per cent, a share that explains only in part the low average number of hours. In fact, although the proportion of *low-paid award-reliant* employees who work in more than one job is higher than for *higher-paid award-reliant* and *higher-paid non-award* employees, it is lower than evident for *low-paid non-award* employees (13.0 per cent). Moreover, the 18th panel shows that compared to the hours in the main job, the average number of hours worked in all jobs by *low-paid award-reliant* only marginally increases to 29.9 hours a week, around 3.5 hours less than *low-paid non-award* and *higher-paid award-reliant* employees and almost 10 hours less than *higher-paid non-award* employees.

We finally examine the proportion of employees that would prefer to work a different number of hours. In all four employee groups the majority of employees work their desired number of hours. However, while for *low-paid award-reliant*, *low-paid non-award* and *higher-paid award-reliant* employees the proportion of employees that would prefer to work more hours is higher than the share that would like to work fewer hours, the opposite is true for *higher-paid non-award* employees. The difference between the proportion of employees who would prefer to work more hours and the proportion who would like to work fewer hours is particularly pronounced for *low-paid award-reliant* employees, who have the lowest average number of hours worked: 32.8 per cent of *low-paid award-reliant* employees would like to increase the number of hours worked, while only 10.6 per cent would prefer to work fewer hours.

3.2.3 Welfare receipt and financial well-being

We now analyse differences in welfare receipt and financial wellbeing across the four employee groups. Welfare receipt is assessed through an indicator of whether the employee receives at least one type of government benefit.¹⁷

The first row of Table 9 reports that 16.0 per cent of *low-paid award-reliant* employees are welfare recipients, a higher percentage than is found for *low-paid non-award* employees (12.6 per cent) and *higher-paid award-reliant* employees (8.7 per cent). Unsurprisingly, a much lower proportion of *higher-paid non-award* employees receive welfare benefits.

We now look at the fraction of employees who receive two types of benefits: Newstart Allowance and Youth Allowance. We examine Newstart Allowance because this benefit targets the unemployed and obliges recipients to look for a job. Accordingly, Newstart Allowance recipients could be more likely to end up in a job that pays at the award rate and is below the low-pay threshold. In addition, eligibility to the Youth Allowance is conditional on age (24 years or younger for full-time students and 21 years or younger for people looking for a job) and, as we have seen, the proportion of young employees among *low-paid award-reliant* employees is high.

The second row of Table 9 shows that 6.9 per cent of *low-paid award-reliant* employees receive Newstart Allowance. Although this percentage is quite small, it is the greatest of the four employee

¹⁷ The Government Benefits we consider are Newstart Allowance, Service Pension, Disability Support Pension, Wife Pension or Widow, Allowance, Carer Payment, Sickness Allowance or Special Benefit, Partner Allowance, Parenting Payment, Youth Allowance and Austudy / ABSTUDY Payment. Note that all benefits allow recipients to work part-time, although the income tests mean that a recipient may only qualify for part-payment. For example, at the time of writing, Newstart Allowance begins reducing from the full payment rate once fortnightly earnings exceed \$104. See <https://www.servicesaustralia.gov.au/sites/default/files/co029-2001-v2.pdf> (correct web address as at 7 February 2020) for details.

groups. The next row reports the fraction of Youth Allowance recipients by employee group. Around 2 per cent of *low-paid award-reliant* employees (aged 21 and over) receive Youth Allowance, a percentage similar to *low-paid non-award* employees and much higher than for *higher-paid award-reliant* and *higher-paid non-award* employees.

We now move to study financial wellbeing through an indicator of financial prosperity (second panel of Table 9) and a series of indicators of financial stress (third panel of Table 9). Financial prosperity is measured by a question that asks how employees feel given their current needs and financial responsibilities.

We can see some similarity between the distribution of financial prosperity for *low-paid award-reliant* employees and its distribution for *higher-paid award-reliant* employees. Compared to *higher-paid award-reliant* employees, they both have higher shares of employees who feel they are “Just Getting Along” and lower shares who feel “Reasonably comfortable”. *Low-paid award-reliant* employees also have the highest proportion who feel “Poor”. On the other hand, *higher-paid non-award* employees have the highest proportion of employees who feel “Very Comfortable”.

Table 9: Welfare receipt and financial well-being of *low-paid award-reliant* employees, *low-paid non-award* employees, *higher-paid award-reliant* employees and *higher-paid non-award* employees, 2017 and 2018 (pooled)—Employees aged 21 and over (%)

	<i>Low-paid award-reliant</i>	<i>Low-paid non-award</i>	<i>Higher-paid award-reliant</i>	<i>Higher-paid non-award</i>	All Employees
1. Welfare Receipt					
Receives Government benefits	16.0	12.6	8.7	3.5	5.6
Newstart Allowance	6.9	3.1	2.4	0.5	1.3
Youth Allowance	2.1	2.0	1.1	0.3	0.6
2. Financial Prosperity					
Prosperous	0.6	1.4	0.7	1.9	1.7
Very comfortable	13.1	11.7	12.7	17.9	16.5
Reasonably comfortable	43.8	53.2	46.3	55.7	53.8
Just getting along	38.4	30.4	37.1	23.5	26.3
Poor	3.4	2.0	2.8	0.9	1.3
Very poor	0.8	1.2	0.6	0.2	0.3
3. Financial Stress Indicators					
Could not pay electricity, gas or telephone bills on time	15.7	15.1	16.0	8.4	10.2
Could not pay the mortgage or rent on time	8.5	7.6	9.5	4.3	5.3
Pawned or sold something	4.8	5.6	6.3	3.3	3.9
Went without meals	5.5	4.2	5.2	1.8	2.5
Was unable to heat home	3.5	3.6	3.0	1.4	1.8
Asked for financial help from friends or family	18.1	18.5	15.5	8.6	10.7
Asked for help from welfare/community organisation	4.1	3.8	3.8	1.0	1.7

Source: Authors' calculations using Waves 17 and 18 of the HILDA Survey.

Financial stress is assessed by seven indicators concerning financial difficulties, including inability to pay utility bills on time, pay the rent or mortgage on time, feed themselves or heat their home, and the need to request financial help from family or friends, or from a community or welfare organisation.

The bottom part of Table 9 shows that a substantial proportion of *low-paid award-reliant* employees have at some stage not been able to pay utility bills on time (15.7 per cent), have requested financial help from family or friends (18.1 per cent) and have not always been able to pay the rent or mortgage on time (8.5 per cent). We can, however, observe similar shares for *low-paid non-award* employees and *higher-paid award-reliant* employees, although *higher-paid award-reliant* employees are somewhat less likely to request financial help from family or friends, and slightly more likely to have not been able to pay the rent or mortgage on time.

Although the shares of *low-paid award-reliant* employees reporting financial difficulties are close to the shares of *low-paid non-award* employees and *higher-paid award-reliant* employees, the proportion reporting financial difficulties is always higher for *low-paid award-reliant* employees than for *higher-paid non-award* employees.

3.2.4 Household characteristics

In Table 10 we present household characteristics including, household type, relationship of employee in the household, number of dependent children, partnership rate, partner's labour force status, childcare use and housing tenure type. We start analysing jointly the household structure and the relationship of employee in the household.

The distributions of the household structure and the relationship of employee in the household of *low-paid award-reliant* employees have some similarities with the distributions for *low-paid non-award* employees. Compared to *higher-paid award-reliant* employees, the two groups of low-paid employees are more likely to live in "Couple with only non-dependent children" households (14.2-14.3 per cent versus 11.9 per cent) and they are more likely to be non-dependent children living with their parents (8.5-8.2 per cent versus 6.7 per cent).

The proportion of *low-paid award-reliant* and *low-paid non-award* employees who live in single-person households (10.3-10.0 per cent versus 12.7 per cent) and the proportion who live in "Couple with two or more dependent children" (15.4-14.9 per cent versus 17.3 per cent) are lower than the corresponding proportions found for *higher-paid award-reliant* employees.

The fraction of *low-paid award-reliant* and *low-paid non-award* employees who live in "Couple with no children" households (22.7-23.9 per cent versus 21.0 per cent) is slightly higher than for *higher-paid award-reliant* employees.

Although the fraction of *low-paid award-reliant* employees (5.8 per cent) who live in "Single parents-Employee working full-time" households¹⁸ is slightly lower than the fractions for *low-paid non-award* employees (7.3 per cent) and *higher-paid award-reliant* employees (7.8 per cent), the proportion of employees who live in "Single parents- Employee working part-time" is remarkably similar among the three employee groups.

Note, however, that while *low-paid award-reliant* and *low-paid non-award* employees are more likely to be non-dependent children (6.3-6.4 per cent versus 4.0 per cent) in single-parent households,

¹⁸ Individuals in the "Single parent—Employee working full-time" and "Single parent—Employee working part-time" households could be a parent or a child. The full-time/part-time employee status refers to the status of the individual being examined, which is not the status of the single parent if the individual is a child of the single parent.

higher-paid award-reliant employees are more likely to be parents in single-parent households (5.2-6.2 per cent versus 10.5 per cent).

Table 10: Household and family characteristics of low-paid award-reliant employees, low-paid non-award employees, higher-paid award-reliant employees and higher-paid non-award employees, 2017 and 2018 (pooled)—Employees aged 21 and over (%)

	<i>Low-paid award-reliant</i>	<i>Low-paid non-award</i>	<i>Higher-paid award-reliant</i>	<i>Higher-paid non-award</i>	All Employees
1. Household Structure					
Single	10.3	10.0	12.7	11.8	11.6
Single Parent - Employee working Full-Time	5.8	7.3	7.8	5.4	5.8
Single Parent - Employee working Part-Time	7.4	7.1	7.4	2.6	3.7
Couple No Children	22.7	23.9	21.0	23.5	23.3
Couple with one Dependent Child	14.4	11.1	10.7	13.7	13.3
Couple with two or more Dependent Children	15.4	14.9	17.3	27.2	24.5
Couple with only Non-Dependent Children	14.2	14.3	11.9	10.0	10.8
Other Type of Household	9.7	11.5	11.0	5.9	7.1
2. Relationship of the employee in the household					
Single person	9.9	9.5	12.3	11.7	11.4
Single Parent	5.2	6.2	10.5	5.3	5.9
Couple no Children	23.5	23.3	22.4	24.1	23.8
Parents with Children	35.0	31.9	34.0	47.1	43.7
Dependent Student	4.8	5.6	3.8	0.6	1.6
Non-Dependent Child (living with Single Parent)	6.3	6.4	4.0	2.4	3.2
Non-Dependent Child (living with Parents)	8.5	8.2	6.7	4.2	5.0
Non-Dependent Child (living in Other Type of Household)	0.3	1.4	0.8	0.5	0.6
Other Member of the Household	6.5	7.6	5.6	4.1	4.7
3. Number of dependent children					
	0.56	0.52	0.64	0.82	0.76
4. Have a partner living in the household					
	55.5	53.0	54.9	70.2	66.2

Prevalence and persistence of low-paid award-reliant employment

	Low-paid award-reliant	Low-paid non-award	Higher-paid award-reliant	Higher-paid non-award	All Employees
5. Labour force status of partner					
Employed	83.0	84.0	80.5	83.5	83.3
Unemployed	2.3	2.7	2.7	1.5	1.8
Not in labour force	14.7	13.2	16.8	14.9	15.0
6. Earnings role of the employee in the household					
Sole earner	30.8	30.9	35.0	33.7	33.4
Main earner	12.0	12.8	22.2	36.8	31.6
Secondary earner	57.2	56.4	42.9	29.5	35.0
7. Childcare use (conditional on having Dependent Children)	50.1	37.2	32.0	44.4	43.1
8. Housing Tenure					
Owner	52.3	56.7	61.2	70.8	67.4
Private renter	42.2	37.2	37.4	27.5	29.4
Social housing renter	3.4	2.5	0.0	0.0	1.3
Live in rent-free housing	2.1	3.7	1.4	1.7	1.9

Note: Single-parent households include households with dependent children and/or non-dependent children. The full-time/part-time employee status refers to the status of the individual being examined, who may be the single parent or a dependent or non-dependent child of the single parent. Couples with dependent children may also have non-dependent children. The share of 'Other' types of households are calculated by summing the shares of 'Other related families with no dependent children', 'Group households' and 'Multi-family households'. Labour force status of the partner is calculated only among employees who live with a partner.

Source: Authors' calculations using Waves 17 and 18 of the HILDA Survey.

Compared to the other three employee groups, the proportion of *higher-paid non-award* employees who live in "Couple with two or more dependent children" households is significantly higher (27.2 per cent), while the share who live in "Single parent – Employee working both part-time or full-time" (respectively 5.4 per cent and 2.6 per cent) or "Couple with only non-dependent children" households (10.0 per cent) is lower.

Note also that, since a high proportion of *higher-paid non-award* employees live in "Couple with dependent children" households, they are less likely to be dependent students or non-dependent children compared to the other three employee groups.

The younger average age of *low-paid award-reliant* and *low-paid non-award* employees (see the second panel of Table 7) is reflected in the lower average number of dependent children (0.56 and 0.52) compared to *higher-paid award-reliant* (0.64) and *higher-paid non-award* employees (0.82).

The proportion of employees who live with a partner is quite similar among *low-paid award-reliant* employees, *low-paid non-award* employees and *higher-paid award-reliant* employees (between 53.0

per cent and 55.5 per cent), but significantly lower than among *higher-paid non-award* employees (70.2 per cent).

The fifth panel of Table 10 reports the labour force status of partner (for employees who are in a partnership). Most partners of the *low-paid award-reliant* employees are employed (83.0 per cent). This is a common characteristic among all the groups. However, partners of the *higher-paid award-reliant* are slightly less likely to be employed (80.5 per cent) and more likely to be in “Not in the Labour Force” (16.8 per cent versus 14.7 per cent of the *low-paid award-reliant*).

In panel 6 of Table 10 we examine the ‘earnings role in the household’ of employees by defining three roles: sole earner, main earner and secondary earner. In this report, sole earner is defined as being the only paid worker in the household. Main earner is defined as having the highest earnings of all the household members¹⁹ given there is at least one other paid worker in the household, while a secondary earner is an employee who earns less than the household’s main earner.

The table shows that 57.2 per cent of *low-paid award-reliant* employees are secondary earners, a proportion similar to *low-paid non-award* employees, and much higher than for *higher-paid award-reliant* employees (42.9 per cent) and *higher-paid non-award* employees (29.5 per cent).

Low-paid award-reliant employees and *low-paid non-award* employees also have similar shares in terms of sole and main earners. The proportion who are main earners is 12.0 per cent for *low-paid award-reliant* employees and 12.8 per cent for *low-paid non-award* employees, while the shares who are sole earners is around 30 per cent for both groups of low-paid employees.

By contrast, *higher-paid award-reliant* employees and *higher-paid non-award* employees are more likely to be sole and main earners than *low-paid award-reliant* employees. Note that there are significant differences between *higher-paid award-reliant* employees and *higher-paid non-award* employees. Only 22.2 per cent of *higher-paid award-reliant* employees are main earners (compared to 36.8 per cent of *higher-paid non-award* employees).

Looking at child care use (among employees who have at least one dependent child), we can see that the proportion of *low-paid award-reliant* employees who use child care services (50.1 per cent) is much higher than the proportion of *low-paid non-award* employees (37.2 per cent) and *higher-paid award-reliant* employees (32.0 per cent). However, it is closer to the share of *higher-paid non-award* employees who use child care (44.4 per cent).

In Panel 8 of Table 10, we analyse housing tenure type. Over 50 per cent of *low-paid award-reliant* employees live in owner-occupied housing, the lowest rate of the four employee groups. However, the proportion of *low-paid non-award* employees living in owner-occupied housing is only slightly higher (56.7 per cent), while 61.2 per cent of *higher-paid award-reliant* employees and 70.8 per cent of *higher-paid non-award* employees reside in owner-occupied housing. The proportion of *low-paid award-reliant* employees who live in a privately rented property (42.2 per cent) or in social housing (3.4 per cent) is correspondingly higher than among the other employee groups.

¹⁹ To construct the variable “Earnings role of employee in the household” we only consider earnings from paid work or own business (of the partner or other member of the household). We do not include any income from investments.

4 Persistence of low-paid employment and transitions from the *low-paid award-reliant* status

The goal of this section is to study the persistence of low-paid employment among *low-paid award-reliant* employees. To do this, we take the subsample of *low-paid award-reliant* employees and study the types of transitions from the *low-paid award-reliant* status. Specifically, we estimate the probability that one year later *low-paid award-reliant* employees:

- 1) remain in the *low-paid award-reliant* status
- 2) move to the *low-paid non-award* employee status
- 3) move to the *higher-paid award-reliant* status
- 4) move to the *higher-paid non-award* employee status
- 5) become unemployed or exit the labour force (not employed).

To improve precision of our estimates,²⁰ we pool years and create three samples of *low-paid award-reliant* employees based on the year observed as a *low-paid award-reliant* employee: 2008 to 2010; 2011 to 2013; and 2014 to 2017. For each sample, we then look at the status of each observation one year later. For example, in the first sample, we take those observed to be *low-paid award-reliant* employees in 2008 and examine their status in 2009, those observed to be *low-paid award-reliant* employees in 2009 and examine their status in 2010 and those observed to be *low-paid award-reliant* employees in 2010 and examine their status in 2011. For each of the three samples, we then calculate the share of each type of transition.

4.1 Transitions from *low-paid award-reliant* status

Table 11 presents the transition rates from the *low-paid award-reliant* status to each of five destinations. The statistics show that there is quite high persistence in low-paid employment among *low-paid award-reliant* employees.

Taking the 2014-2017 group, we can see that 54.8 per cent of *low-paid award-reliant* employees are still in low-paid employment one year later. In fact, 37.3 per cent of them remain *low-paid award-reliant* employees and 17.5 per cent are no longer paid at the award rate but are still in low-paid employment.

In addition, 13.6 per cent of *low-paid award-reliant* employees become unemployed or exit the labour force and 31.6 per cent move to the higher-paid status (16.4 per cent are *higher-paid award-reliant* employees and 15.2 per cent are *higher-paid non-award* employees). This pattern is quite consistent across time.

The fraction of *low-paid award-reliant* employees who remain in low-paid employment is always more than 50 per cent and the fraction who remain *low-paid award-reliant* employees is always above 30 per cent. Although there are not large differences in the shares across time, we can still observe a small declining trend for *low-paid award-reliant* employees who move to the *low-paid non-award* employees status (from 18.5 per cent for the 2008-2010 group to 17.5 per cent for the 2014-2017 group).

There is also a small increasing trend for *low-paid award-reliant* employees who move to the *higher-paid non-award* employees status (from 13.1 per cent for 2008-2010 to 15.2 per cent for 2014-2017)

²⁰ In HILDA Waves 8 to 18, the proportion of employees who are low-paid and award-reliant ranges from 7 per cent to 8.2 per cent, translating to approximately 650 observations in each wave.

while those who move to the *higher-paid award-reliant* status are stable at around 16 per cent for the 2011–2013 and 2014–2017 groups.

Table 11: Transition probabilities from *low-paid award-reliant* employment, 2008–2018—Employees aged 21 and over (%)

	<i>Low-paid award-reliant</i>	Low-paid non-award	One year later		Not employed
			<i>Higher-paid award-reliant</i>	<i>Higher-paid non-award</i>	
Initial years					
1) 2008 to 2010	38.7	18.5	14.5	13.1	15.2
2) 2011 to 2013	33.5	18.2	16.6	14.3	17.4
3) 2014 to 2017	37.3	17.5	16.4	15.2	13.6

Source: Authors' calculations using Waves 8 to 18 of the HILDA Survey.

We now look at personal and household characteristics to examine whether any characteristics are associated with the different transition types. The first row of Table 11 shows the average age of *low-paid award-reliant* employees by transition type for the 2014–2017 group. *Low-paid award-reliant* employees who remain award reliant are older than *low-paid award-reliant* employees who move to the *non-award* status.

Table 12: Personal characteristics by one-year transition type—Employees initially in the *low-paid award-reliant* group in the 2014 to 2017 period

	<i>Low-paid award-reliant</i>	<i>Low-paid non-award</i>	One year later		Not employed	All
			<i>Higher-paid award-reliant</i>	<i>Higher-paid non-award</i>		
Mean age (years)	37.9	33.8	36.8	33.8	38.8	36.3
Sex (%)						
Male	37.1	49.1	36.3	46.5	37.2	40.8
Female	62.9	50.9	63.7	53.5	62.8	59.2
Education (%)						
Postgraduate – masters or doctorate	1.3	0.8	2.0	3.0	4.8	2.2
Graduate diploma, graduate certificate	1.6	0.0	1.9	4.4	0.6	1.9
Bachelor or honours degree	6.4	11.2	15.2	14.1	6.9	10.6
Advanced diploma, diploma	6.5	10.6	14.3	10.4	7.0	9.6
Certificate III or IV	27.8	20.6	26.3	23.9	26.6	25.5
Year 12	29.3	30.9	19.6	28.4	24.2	26.6
Year 11 and below	27.1	25.9	20.6	16.0	29.9	23.6

Source: Authors' calculations using Waves 8 to 18 of the HILDA Survey.

The average age of those who move to *low-paid non-award* employment and *higher-paid non-award* employment is 33.8, while the average age of those who remain *low-paid award-reliant* employees is 37.9 and for those who move to the *higher-paid non-award* status it is 36.8. Those who become non-employed are on average older (38.8 years old) than any other transition group.

Before analysing sex differences by transition type, we need to mention that in the 2014-2017 group, 59.7 per cent of *low-paid award-reliant* employees are women and 40.3 per cent are men. This explains why the proportion of women is higher in all the transition types. In particular, the prevalence of women is high among *low-paid award-reliant* employees who remain award-reliant or become non-employed.

Among the *low-paid award-reliant* employees who remain in the same status, 62.9 per cent are female, while 63.7 per cent of those who move to the *higher-paid award-reliant* status and 62.8 per cent of those who become unemployed or leave the labour force are female. These figures are much lower for *low-paid award-reliant* employees who move to the *low-paid non-award* status (50.9 per cent are female) and those who move to the *higher-paid non-award* status (53.5 per cent).

When comparing the educational attainment distribution, we see that *low-paid award-reliant* employees who remain in the low-paid status are more likely to be lower-educated (Year 11 or below and Year 12) than *low-paid award-reliant* employees who move to the higher-paid status. On the other hand, those who move to a higher-paid status are more likely to hold an advanced diploma or bachelor or honours degree than those who remain in the *low-paid award-reliant* status.

There are also differences in educational attainment between *low-paid award-reliant* employees who do not change status and those who make a transition to the *low-paid non-award* status. A higher fraction of those who remain in the *low-paid award-reliant* status hold a Certificate III or IV while a lower fraction of these employees who do not change status hold a diploma or bachelor or honours degree.

In Table 13 we report some household characteristics by transition type. We first look at the household structure and the relationship in the household together. We see that *low-paid award-reliant* employees who remain *low-paid award-reliant* employees are more likely to live in “Couple with dependent children” households. They are also more likely to be one of the parents who live with the dependent children. Compared to other transition types, they are also less likely to live in “Couple no children” and in “Couple with only non-dependent children” households.

Compared to *low-paid award-reliant* employees who make a transition to the *higher-paid award-reliant* status, those who move to *low-paid non-award* status are more likely to live in “Couple with only non-dependent children”, “Singles” and “Couple with two or more dependent children” households and are more likely to be dependent students and non-dependent children (whether with both parents or a single parent).

They are also less likely to live in “Single parent- Employee working part-time” and “Couple with one dependent child” households, and are less likely to be a (single or partnered) parent living with dependent children.

Low-paid award-reliant employees who move to *higher-paid non-award* employment are less likely to live in “Single parent – Employee working part-time/full-time” households and they are less likely to be dependent students and non-dependent children who live with single parents.

Those who become non-employed are more likely to live in “Single parent- Employee working part-time” and “Couple with two or more dependent children” households. They are also more likely to be

dependent students and the single parent in a single parent household. They are less likely to live in “Couple with one dependent child” and “Couple with only non-dependent children” households.

Finally, at the bottom of Table 12, we examine the earnings role of *low-paid award-reliant* employees in the household by transition type. *Low-paid award-reliant* employees who do not change status are more likely to be secondary earners than *low-paid award-reliant* employees who move to one of the other four destinations. Interestingly, they are least likely to be the sole earner.

Those who make the transition to non-employment are the most likely to be sole earners and the least likely to be main earners.

Table 13: Household characteristics by one-year transition type—Employees initially in the low-paid award-reliant group in the 2014 to 2017 period (%)

	One year later				Not employed	All
	<i>Low-paid award-reliant</i>	<i>Low-paid non-award</i>	<i>Higher-paid award-reliant</i>	<i>Higher-paid non-award</i>		
Household structure						
Single	11.1	12.0	10.8	9.1	11.7	10.8
Single Parent- Employee working Full-Time	5.1	4.3	4.4	2.8	4.4	4.3
Single Parent- Employee working Part-Time	10.2	10.5	13.3	4.8	20.7	11.1
Couple No Children	19.3	25.5	26.5	24.8	21.3	23.0
Couple with one Dependent Child	15.3	10.7	13.1	13.1	8.0	12.9
Couple with two or more Dependent Children	16.5	11.1	9.8	15.1	16.7	14.2
Couple with only Non-Dependent Children	11.0	19.2	15.5	20.5	9.7	14.9
Other Type of Household	11.4	6.8	6.4	9.7	7.6	8.9
Relationship in the Household						
Single person	10.7	10.7	10.3	8.7	10.7	10.2
Single Parent	5.8	3.7	8.1	5.2	14.7	7.1
Couple no Children	23.8	20.6	25.1	19.4	20.3	22.2
Parents with Dependent Children	36.8	24.3	28.7	31.2	26.1	30.9
Dependent Student	4.9	11.0	6.3	3.2	10.7	6.4
Non-Dependent Child (living with Single Parent)	7.0	8.6	7.4	1.9	7.7	6.3
Non-Dependent Child (living with Parents)	6.2	13.0	8.2	15.8	4.3	9.4
Non-Dependent Child (living in Other Type of Household)	0.4	0.0	0.8	2.1	0.3	0.8
Other Member	4.4	7.9	5.0	12.4	5.4	6.9
Earnings role of the employee in the household						
Sole Earner	31.5	36.5	32.3	37.9	41.2	34.9
Main Earner	9.8	9.7	9.8	8.7	7.6	9.3
Secondary Earner	58.7	53.8	57.9	53.4	51.2	55.8

Note: Single-parent households include households with dependent children and/or non-dependent children. In 'Single Parent - Employee working Part/Full-Time' households, Employee refers to the person who is the focus of the analysis. Couples with dependent children may also have non-dependent children. The share of 'Other' types of households are calculated by summing the shares of 'Other related families with no dependent children', 'Group households' and 'Multi-family households'.

Source: Authors' calculations using Waves 17 and 18 of the HILDA Survey.

5 Transitions to higher-paid employment by *low-paid award-reliant* employees

In this section we estimate the duration of low-paid employment among *low-paid award-reliant* employees and study the individual and household characteristics that are associated with increased probabilities of transitioning to higher-paid employment. To estimate the duration of low-paid employment we exploit the longitudinal structure of the HILDA Survey and apply survival analysis techniques.

In survival analysis, a spell is defined as the span of time that an observation spends in a given state. In our case, a spell is the sequence of consecutive periods (waves) that the initially *low-paid award-reliant* employee is observed in low-paid employment before moving to the higher-paid status.

The time we start observing individuals is when employees aged 21 and over become *low-paid award-reliant* employees.²¹ We then follow them until they exit to higher-paid employment. In our definition of a low-paid employment spell, employees may also experience periods of non-employment before they move to higher-paid employment. Spells are censored if the worker becomes self-employed or when an individual leaves the HILDA sample because of attrition.

In this analysis we allow for multiple spells. They may occur when employees experience multiple periods in the *low-paid award-reliant* status interrupted by a period in higher-paid employment. In this case we consider only the periods in low-paid employment, excluding the periods when employees are higher-paid before moving back to be *low-paid award-reliant*.

5.1 Duration analysis of low-paid employment

To describe the duration of low-paid employment we use two basic concepts of survival analysis: the survivor function and the hazard rate function. Both functions depend on time at risk—the time that has elapsed from when an employee has entered the *low-paid award-reliant* status.

The survivor function of low-paid employment is the probability that a *low-paid award-reliant* employee has not exited to higher-paid employment by a specific time, t .²² The hazard rate function is the likelihood that a *low-paid award-reliant* employee moves to higher-paid employment at time t , given that they have remained in low-paid employment until time t .

The estimated survivor function is reported in the second column of Table 14 and in Figure 2, while the hazard rate function is presented in the third column of Table 14 and in Figure 3.

From Table 14 we can see that 39.1 per cent of *low-paid award-reliant* employees move to higher-paid employment within one year and 56.8 per cent move after two years. This means that 60.9 per cent of *low-paid award-reliant* employees remain in low-paid employment after one year and 43.2 per cent are still in low-paid employment after two years (see second column of Table 14).

Figure 3 and the third column of Table 14 show that the hazard rates decrease up to year 7 and the rates do not decrease linearly. In fact, there is a large drop in the hazard rates from 39.1 per cent of year 1 to 29.0 per cent of year 2, then they start decreasing at a slower rate and they are roughly constant at around 20 per cent between year 4 and year 5.

²¹ Spells start when employees become *low-paid award-reliant* employees and are aged 21 or over. Some employees may start working when they are aged under 21. However, we do not consider that period because employees aged under 21 are eligible for junior rates.

²² The survivor function can be also defined as the probability of remaining in low-paid employment beyond time t .

This implies that the chances of exiting to higher-paid employment (conditional on remaining in low-paid employment up to that time) are never lower than approximately 20 per cent, even if employees remain in low-paid employment for up to 5 years. The decreasing pattern of the hazard rates is due to the fact that *low-paid award-reliant* employees who remain in low-paid employment longer are lower-skilled employees.

Figure 2 shows that in the first years the survivor function decreases at a fast pace and then it declines more gradually, reflecting the decreasing hazard rates. We can also see the same pattern from Column 2 in Table 14.

The proportion of employees who remain in low-paid employment falls quickly in the first five years of time at risk. For example, the proportion of employees who have not moved to higher-paid employment is 60.9 per cent after 1 year, 32.2 per cent after 3 years and 20.6 per cent after 5 years. Then this proportion decreases more slowly. The probability of remaining in low-paid employment is 17.3 per cent after 7 years since employees are first observed in the *low-paid award-reliant* status and 13.5 per cent after 9 years.

Figure 2: Survival rate of low-paid employment

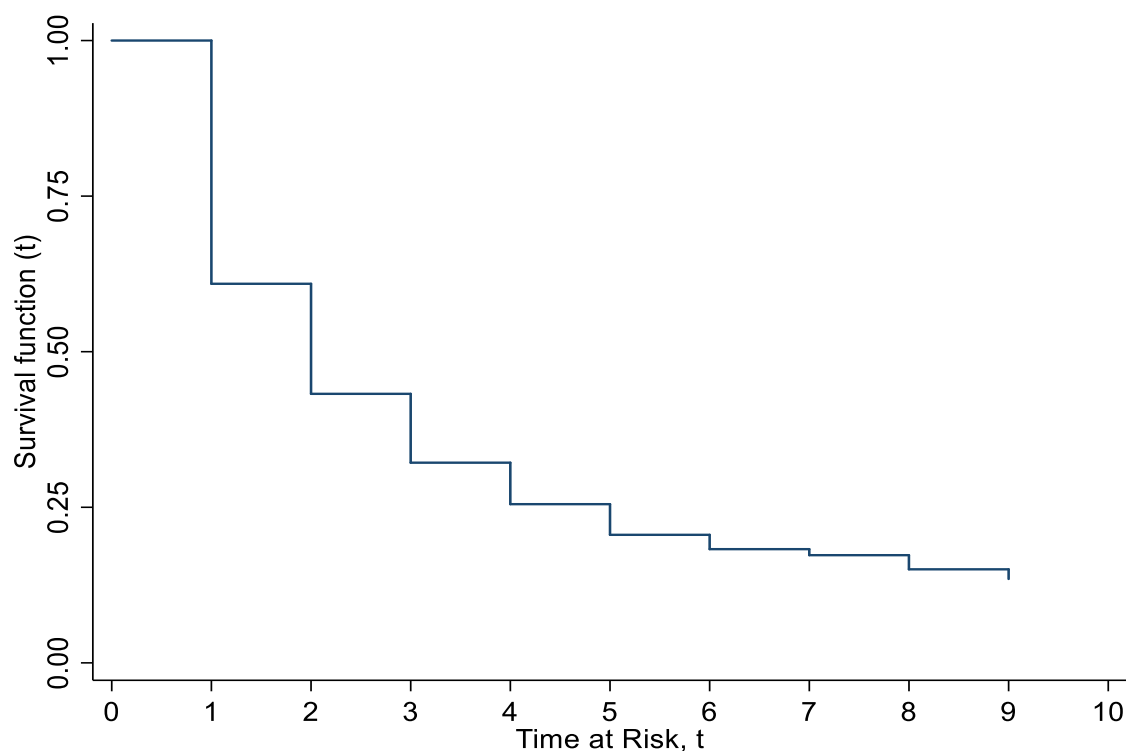
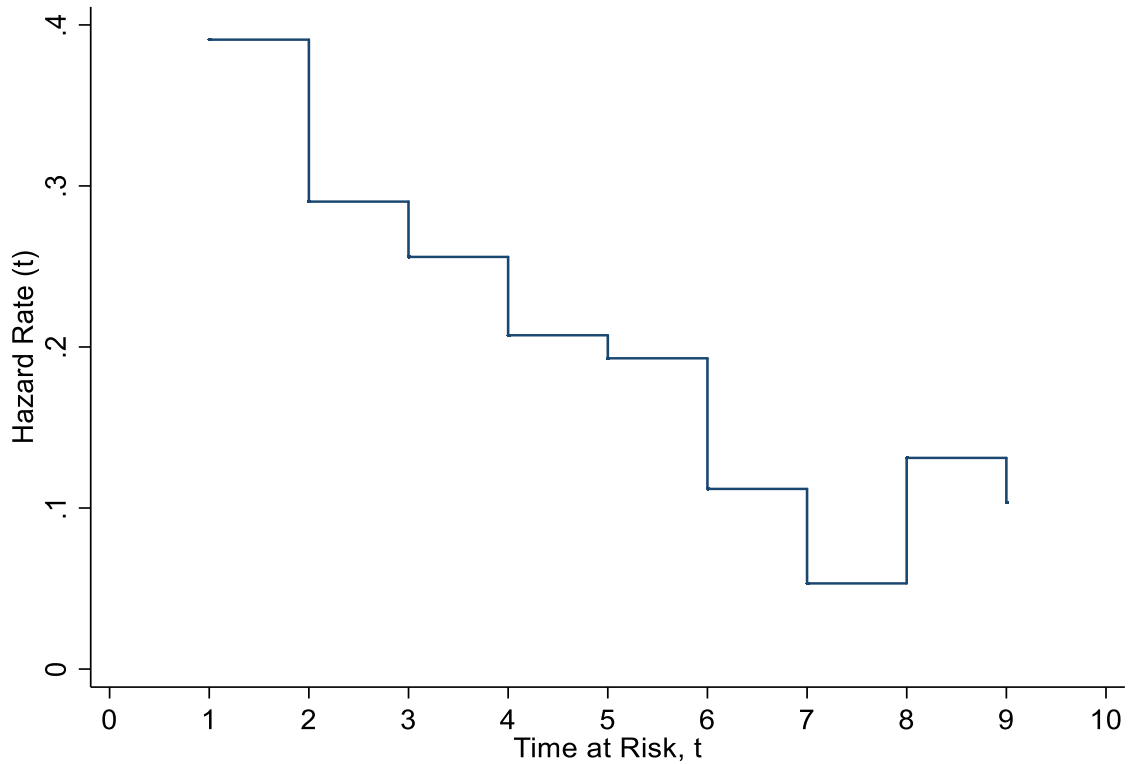


Figure 3: Hazard rate for exiting low-paid employment**Table 14: Survival and hazard rates**

Time at Risk (years)	Survival rate	Hazard rate
1	60.9	39.1
2	43.2	29.0
3	32.2	25.6
4	25.5	20.7
5	20.6	19.3
6	18.3	11.2
7	17.3	5.3
8	15.0	13.1
9	13.5	10.3

Note: Time at risk is the time occurred since employees become *low-paid award-reliant* for the first time.

Source: Authors' calculations using Waves 8 to 18 of the HILDA Survey.

5.2 Modelling transitions to higher-paid employment

We now estimate a survival analysis model to examine how personal characteristics affect the probability of moving to higher-paid employment. We model the hazard rate function by estimating a *complimentary log-log model* (see Jenkins, 2005). The functional form of the hazard rate function is:

$$H_i(t, X) = 1 - \exp[-\exp(\varphi(t) + \beta' X_i)]$$

Where:

- $H_i(t, X)$ is the hazard rate function;
- $\varphi(t)$ captures the effect of duration of low-paid employment on the probability of moving to *higher-paid* employment. Duration of low-paid employment is captured by including dummies that represent the years spent in low-paid employment;
- X_i is the vector of personal characteristics and β is the vector of associated parameters that estimate how the employee's characteristics affect the probability of exiting low-paid employment.

The personal characteristics that we include in the model are:

- Individual characteristics such as sex, age, educational attainment, marital status, health and welfare receipt.
- Household characteristics such as relationship of the employee in the household, earnings role of the employee in the household, and number of dependent children.

5.2.1 Interpretation of findings

Before moving to the results, we outline how to interpret the estimates of the parameters associated to the personal characteristics. The effects of the characteristics on the hazard rate are presented in terms of hazard ratios. Keeping all the other characteristics constant, the hazard ratio reports how the hazard rate changes when we increase the characteristic of interest by one unit.

When hazard ratios are equal to one, the characteristics do not affect the hazard rates. If hazard ratios are higher than one, employees with that characteristic are more likely to move to higher-paid employment. When hazard ratios are lower than one, the probability of moving to higher-paid employment are lower for employees with that characteristic.

For example, in the case of categorical variables such as sex (men=1, women=0), we interpret a hazard ratio of 1.5 as men are 50 per cent more likely than women to move to higher-paid employment from one year to the next. When we deal with continuous variables such as the number of children, a hazard ratio of 0.5 implies that having one more child decreases the chances of moving to higher-paid employment by 50 per cent.

Table 14 presents the hazard ratios estimated from the complimentary log-log model. The reference category is shown in parenthesis. The first characteristic we examine is sex. Holding all the other characteristics fixed, men are only 1 per cent more likely than women to exit low-paid employment. The hazard ratio is also not statistically significantly different from 1. To interpret this result, recall that most *low-paid award-reliant* employees are women (see Table 7 in Section 3) and that a higher proportion of men end up in higher-paid employment without any transition from low-paid employment.

Moving to the second characteristic, we see that there is a hump-shape relationship between age and likelihood of transitioning to higher-paid employment. The hazard ratio for employees aged 26 to 30 and employees aged 31 to 35 are, respectively, 1.07 (7 per cent more likely to move to higher-paid employment than employees aged 21 to 25) and 0.92 (8 per cent less likely). The age effect reaches a peak in the 36 to 40 age category (22 per cent more likely than employees aged 21 to 25 to move to higher-paid employment) and it decreases for older employees. Employees in all the age groups older than 50 are all less likely to move out of low-paid employment than employees aged 21

to 25. It is also noteworthy that “Age 36 to 40” is the only category that is significantly (at 10 per cent level) different from the others.

When looking at the relationship in the household, we find that living in “couple no children”, “couple with children” or being a “dependent student” decreases the probability of moving to higher-paid employment compared to “Singles”. The probability decreases by 34 per cent for employees living in “Couple no children” households, 38 per cent for employees living in “Couples with children” and 42 per cent for dependent students. Interestingly, the chances of leaving low-paid employment are similar for “non-dependent children” and singles (with non-dependent children who are 5 per cent more likely to exit), while employees who live in “Single parent” households are 22 per cent more likely to move to higher-paid employment.

Educational attainment is an important factor for transitioning to the higher-paid status. Having achieved a higher education degree²³ gives between a 44 per cent and 117 per cent higher chance of exiting low-paid employment compared to employees with Year 11 or below. In particular, employees holding a postgraduate degree have more than twice the probability of moving to higher-paid employment compared to employees who have completed Year 11 or below. Advanced diploma and Certificate III or IV qualifications also provide an advantage, increasing exit chances by 32 per cent and 24 per cent, respectively, while having Year 12 raises the exit probability by only 5 per cent.

With regards to marital status, we can see that being married or in a de-facto relationship raises the probability of transitioning to higher-paid employment by around 40 per cent to 46 per cent compared to employees who have never been married. Receiving welfare benefits has a significant impact on hazard rates of leaving low-paid employment, lowering chances by 48 per cent. Here recall that low-paid employment spells may also contain periods of non-employment. Receiving welfare benefits while unemployed could affect effort searching for a higher-paid job.²⁴ Having a long-term health condition that limits the amount of work one can do decreases the probability of moving to higher-paid employment by 16 per cent, while long-term health conditions with no impact on work do not significantly affect employees’ chances.

The earnings role played by employees in the household is an important factor for prospects of leaving low-paid employment. The probability of exiting low-paid employment is 49 per cent higher for main earners than sole earners, while secondary earners are 33 per cent less likely than sole earners. Dependent children have a small effect on the probability of exiting to higher-paid employment. Holding all the other characteristics fixed, having one more child decreases the chance of leaving low-paid employment by 3 per cent.

Finally, from the bottom of Table 14 we can see that there is evidence of negative duration dependence. The longer employees remain in low-paid employment, the lower the hazard rates are. This can be seen from the declining coefficients of the duration dummies. For example, the chances of moving to higher-paid employment after 3 years of low-paid employment are 27 per cent lower than after one year, while the chances after 6 years are 48 per cent lower.

²³ Higher education here comprises the highest educational attainment groups ‘Postgraduate – masters and doctorate’, ‘Graduate diploma’, ‘Graduate certificate’ and ‘Bachelor or honours degree’.

²⁴ In principle, welfare receipt could affect the probability of finding a higher-paid job in both directions. Welfare benefits provide financial resources that allow more time to search for a higher-paid job. On the other hand, welfare recipients can be discouraged from job search if individuals are happy to live only with the resources coming from benefits.

**Table 15: Complimentary log-log model of exits from low-paid employment, 2008–2018—
Employees aged 21 and over**

Variable	Coefficient	95 per cent Confidence interval
Men (Women)	1.01	0.91; 1.13
Age (21 to 25):		
26 to 30	1.07	0.91; 1.26
31 to 35	0.92	0.75; 1.14
36 to 40	1.22*	0.99; 1.51
41 to 45	1.05	0.85; 1.29
46 to 50	1.00	0.81; 1.25
51 to 55	0.99	0.80; 1.22
56 to 60	0.97	0.76; 1.23
61 and above	0.89	0.69; 1.15
Relationship in the household (Single):		
Single parent	1.22	0.95; 1.58
Couple no children	0.66*	0.43; 1.02
Couple with children	0.62**	0.39; 0.98
Dependent student	0.58***	0.40; 0.87
Non-dependent child	1.05	0.85; 1.29
Other member	0.98	0.75; 1.27
Education (Year 11 or Below)		
Postgraduate – masters or doctorate	2.17***	1.47; 3.20
Graduate diploma, graduate certificate	1.44**	1.16; 2.35
Bachelor or honours degree	1.66***	1.37; 1.99
Advanced diploma, diploma	1.32***	1.02; 1.50
Certificate III or IV	1.24***	1.08; 1.41
Year 12	1.05	0.90; 1.22
Marital status (Never married and not de facto)		
Legally married	1.46*	0.96; 2.24
De facto	1.40	0.92; 2.12
Separated	1.29	0.94; 1.75
Divorced	0.99	0.77; 1.27
Widowed	1.31	0.83; 2.06
Welfare Receipt	0.52***	0.45; 0.61
Long-term health condition (No long-term condition)		
Long-term health conditions have no impact on the amount of work	0.97	0.81; 1.15
Long-term health conditions limit type or amount of work	0.84**	0.71; 0.98
Earnings role of the employee in the household (Sole earner)		
Main earner	1.49***	1.27; 1.75
Secondary earner	0.67***	0.59; 0.76

Variable	Coefficient	95 per cent Confidence interval
Number of dependent children	0.97	0.90; 1.05
Duration (1 year of low-paid employment)		
2 years	0.68***	0.60; 0.78
3 years	0.73***	0.62; 0.85
4 years	0.64***	0.52; 0.79
5 years	0.68***	0.53; 0.89
6 years	0.52***	0.35; 0.76
7 years	0.28***	0.15; 0.55
8 years	0.55*	0.30; 1.01
9 years	0.72	0.34; 1.54
Constant	0.66***	0.54; 0.80

Note: *p-value<0.10 **p-value<0.05 ***p-value<0.01. Reference category in parenthesis.

Source: Authors' calculations using Waves 8 to 18 of the HILDA Survey.

6 Conclusions

In this report we have examined the characteristics of *low-paid award-reliant* employees by comparing them to *award-reliant* employees and *low-paid* employees. We find that the prevalence of *low-paid award-reliant* employees in 2018 is 5.9 per cent of all employees. Among *award-reliant* employees the prevalence of *low-paid award-reliant* employment is 36.0 per cent, while the prevalence is 41.1 per cent among all *low-paid* employees.

The profile of *low-paid award-reliant* employees is more similar to the profile of *low-paid non-award* employees than *higher-paid award-reliant* employees. This profile is represented by young employees who work mainly in jobs that have the characteristics of non-standard employment. Compared to other groups, a higher proportion of *low-paid award-reliant* employees live in “Couples with one dependent child”, are more likely to live with parents and be a secondary earner.

One year later, 54.8 per cent of *low-paid award-reliant* employees have not moved to higher-paid employment and 17.5 per cent have become unemployed or exited the labour force. Applying survival analysis techniques, we show that the hazard rates—the probability of moving to higher-paid employment conditional on having experienced low-paid employment until that time—decrease with the time the employee remains in low-paid employment. We find that the probability of remaining in low-paid employment is higher for older employees, low-educated employees, welfare recipients and employees with long-term health conditions that limit the ability to work.

Although the prevalence of low-paid employment is higher among young employees, there is nonetheless a sizeable proportion of older employees who are low-paid. For young employees, low-paid employment could be a temporary condition before progressing in their career, but this is less likely to be the case for older employees. Our analysis suggests that the focus of policy makers should be to provide opportunities of moving to higher-paid employment to employees who are older, less-educated, receive welfare benefits and suffer from long-term health conditions that limit the ability to work.

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Appendix A

Table A.1 reports the age distributions for low-paid, award-reliant and *low-paid award-reliant* employees, including employees aged under 21. 67.6 per cent of *low-paid award-reliant* employees are aged 30 and under. This figure is striking when it is compared to 53.3 per cent of award-reliant and 64.6 per cent of low-paid employees aged 30 and under. In addition, *low-paid award-reliant* employees are mostly concentrated among teenagers: 42.8 per cent of *low-paid award-reliant* employees are aged 20 and under, compared to 24.9 per cent of all award-reliant employees and 34.5 per cent of all low-paid employees. The proportion of *low-paid award-reliant* employees then decreases at older ages. When we consider employees aged over 50, the share that is *low-paid award-reliant* is always lower than their proportion of all award-reliant employees and their proportion of all low-paid employees.

Table A.1: Age distributions of low-paid employees, award-reliant employees and low-paid award-reliant employees, 2017 and 2018 (pooled)—Employees aged 15 and over (%)

Age (years)	Low-paid	Award-reliant	<i>Low-paid award-reliant</i>	All Employees
15 to 20	34.5	24.9	42.8	9.1
21 to 25	19.4	17.8	16.7	12.3
26 to 30	10.7	10.6	8.1	12.3
31 to 35	8.4	9.4	8.9	12.1
36 to 40	4.0	5.1	3.6	10.4
41 to 45	5.1	7.1	5.2	10.9
46 to 50	4.9	8.5	5.1	10.6
51 to 55	4.4	6	3.1	8.8
56 to 60	4.4	6.2	3.8	7.6
61 and above	4.3	4.4	2.8	6
Total	100.0	100.0	100.0	100.0

Source: Authors' calculations using Waves 17 and 18 of the HILDA Survey.