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# Information note— Replicating Table 1 from Jericho & Stanford (2023)

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15 May 2023

This document outlines the findings of an attempt to replicate the results from Table 1 in Jericho and Stanford (2023), as referred to in the Australian Council of Trade Unions' submission in reply.<sup>1</sup> The table from the report uses data specific to modern award-reliant employees in conjunction with data for all award-reliant employees.

Using data for modern award-reliant employees—available only by using the Australian Bureau of Statistics (ABS) Survey of Employee Earnings and Hours (EEH) microdata or data reported in Yuen and Tomlinson (2023)—enables a revised estimate of the average wage for modern award-reliant employees that is lower than the average across all award-reliant employees. This is due to the exclusion of award-reliant employees not on modern awards and thereby identifying only those employees who are in the federal jurisdiction and directly affected by annual wage review decisions. These new estimates (in blue text) are included in the table and result in a lower wage bill of 11.2 per cent, rather than 12.5 per cent as calculated by Jericho and Stanford. Modern award-reliant employees have lower hourly earnings (\$28.60 compared to \$46.20) and work fewer hours per week (26.2 compared to 33.0) on average than employees not on modern awards.<sup>2</sup> These factors

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<sup>1</sup> Jericho G & Stanford J (2023), *Minimum wages and inflation*, Centre for Future Work, The Australia Institute, April; ACTU submission in reply, 28 April 2023 at paras 31–32.

<sup>2</sup> Yuen K & Tomlinson J (2023), *A profile of employee characteristics across modern awards*, Fair Work Commission Research Report 1/2023, March; ABS, *Employee Earnings and Hours, Australia*, May 2021.



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drive the difference between the share of modern award-reliant employees (20.5 per cent) and their wages bill (11.2 per cent).

**Table 1: Award-dependent wages in the total economy, Jericho & Stanford (2023), Table 1**

	Number	Share total (%)	Share GDP (%)	Notes on differences
(1) Workers covered by modern awards (millions, 2021)	2.37	20.5	-	Share obtained from Yuen and Tomlinson paper.
(2) Average award wage (\$ per week, 2021)	849.2	60.9	-	Based on average weekly earnings of all award-reliant employees and as a proportion of average weekly earnings across all methods of setting pay.
<i>(2a) Modern award-reliant employees only (\$ per week, 2021)</i>	<i>749.2</i>	<i>53.7</i>	<i>-</i>	<i>Based on average weekly earnings of modern award-reliant employees from Yuen and Tomlinson (average hourly total cash earnings x average weekly hours paid for).</i>
(3) Wage bill covered by Modern awards (\$billion per year, 2021)	104.8	12.5	-	Based on the number of <i>modern award-reliant</i> employees multiplied by the average weekly earnings of <i>award reliant</i> employees (row 1 x row 2) and the number of weeks in a year
<i>(3a) Wage bill covered by modern award-reliant employees only (\$billion per year, 2021)</i>	<i>94.3</i>	<i>11.2</i>	<i>-</i>	<i>Using unpublished microdata to estimate total earnings for modern award-reliant employees, the wages bill for modern award-reliant employees (excluding those on other awards) and the share.</i>
(4) Total Compensation covered by modern awards (\$billion per year)	137.9	-	5.6	By applying the proportion in row (3) to the National Accounts total compensation of employees*
<i>(4a) Modern award-reliant employees only (\$billion per year)</i>	<i>123.6</i>	<i>-</i>	<i>5.0</i>	<i>Taking the same approach as (4), using the estimate for modern award-reliant employees.</i>

Note: \* Total compensation of employees and GDP are based on the sum of the four quarters for calendar year 2022.

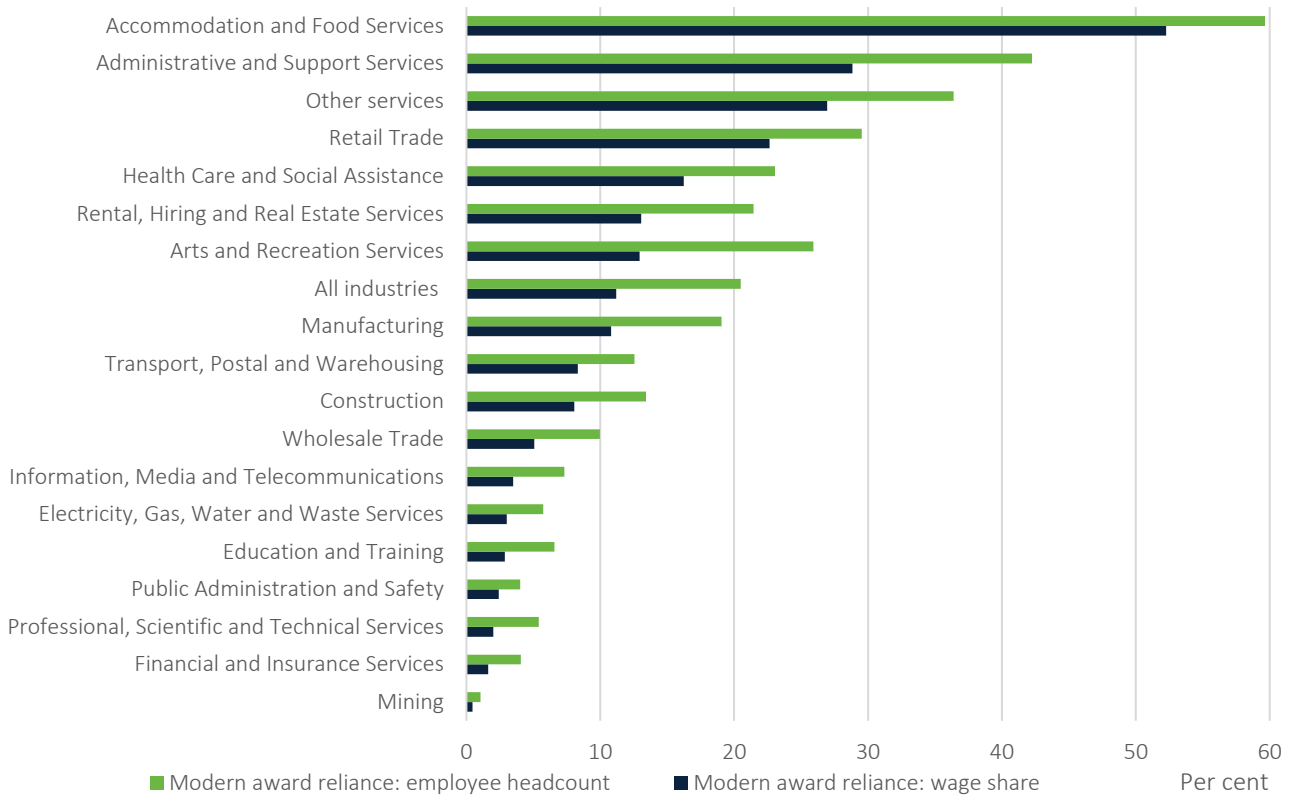
Source: Jericho G & Stanford J (2023), *Minimum wages and inflation*, Centre for Future Work, The Australia Institute, April; ABS, *Microdata: Employee Earnings and Hours, Australia*, May 2021; ABS, *Employee Earnings and Hours, Australia*, May 2021; Yuen K & Tomlinson J (2023), *A profile of employee characteristics across modern awards*, Fair Work Commission Research Report 1/2023, March; ABS, *Australian National Accounts: National Income, Expenditure and Product*, December 2022.



The wages bill of modern award-reliant employees across industries (as in row 3 of Table 1) is presented in Chart 1. This is again calculated using the EEH microdata. The chart also presents the proportion of modern award-reliant employees (by headcount).

For example, the chart shows that while almost 60 per cent of employees in the Accommodation and food services industry are modern award-reliant, total cash earnings paid to modern award-reliant employees in this industry accounts for only 52 per cent of total cash earnings paid to all employees in the industry. This lower share is evident across all industries.

**Chart 1: Wages of modern award-reliant employees as a share of total, by industry, 2021**



Note: Wage share is total wages paid to modern award-reliant employees as a share of total wages paid to all employees in that industry.

Source: ABS, *Microdata: Employee Earnings and Hours, Australia, May 2021*; ABS, *Employee Earnings and Hours, Australia, May 2021*.