

The state of enterprise bargaining in Australia

August 2019

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KEY POINTS

- ▶ Enterprise agreements are a core part of Australia's workplace relations system. Almost 40 per cent of employees are covered by an enterprise agreement (EA) or around 4 million people.
- ▶ Just over 20 per cent of employees are on an award or around 2.2 million people including around 200,000 people who are on the national minimum wage.
- ▶ By law, employees must be better off overall under an enterprise agreement than they would be on the award.
- ▶ On average, non-managerial employees paid under enterprise agreements earn \$42.00 per hour, while non-managerial employees paid under awards earn \$29.40 per hour.
- ▶ Just over 50 per cent of full-time employees employed under an enterprise agreement in a non-managerial role earn over \$1,600 each week. Only around 20 per cent of full-time employees employed under awards in non-managerial roles earn over this much a week.
- ▶ The number of people employed on active EAs – agreements that have not reached their nominal expiry date – dropped sharply between 2014 and 2017. It has since started to recover, but it is too early to tell if this will continue.
- ▶ The large fall indicates that some employers and employees are choosing not to renegotiate agreements that have reached their nominal expiry date, negotiations are taking longer than they used to or employers are choosing not to use EAs altogether.
- ▶ For active agreements (with quantifiable wage increases), wage growth is relatively strong, growing at an average annualised rate of 2.7 per cent in the March quarter 2019. This is higher than the economy-wide average of 2.3 per cent over the year for all employees.
- ▶ Some employees on lapsed, but still operational EAs may not be receiving pay rises. This is contributing to the lower rate of wage growth for all employees on EAs – which is around 2.3 per cent over the last year – roughly the same as the economy-wide average.
- ▶ The higher wage levels for people working under EAs and the relatively strong wage growth for employees covered by active EAs with quantifiable wage increases shows the importance of having a well-functioning enterprise bargaining system. A system that recognises the unique circumstances of different businesses and the people that work in them is vital. It shows that the success of the enterprise is shared when negotiating a new EA is a straightforward process that balances the needs of employees and employers.
- ▶ The broader economic environment also impacts wages growth including the unemployment rate, GDP growth and, over the longer term, productivity growth. Since 2011-12, wages growth across the economy has slowed, largely driven by the end of the terms of trade boom and weak productivity growth.

THE STATE OF ENTERPRISE BARGAINING IN AUSTRALIA

Enterprise bargaining was introduced by Labor in the early 1990s and sector wide bargaining was restricted. Awards moved from being the main way of setting pay and conditions to a safety net.¹ A set of national minimum standards was introduced in 2006 and these were expanded in 2010 to establish the National Employment Standards.²

The current workplace relations system has served Australians well. Real wages have risen more than 50 per cent since the introduction of enterprise bargaining. The unemployment rate is low. Jobs growth has been strong, with most working Australians in full-time employment. Around three-quarters of people working part-time are doing so because they want to work those hours or because it allows them to combine work with other responsibilities including education and caring.³

Enterprise bargaining can include negotiations on pay and conditions if under the final agreement employees are better off overall than they would be on an award. Enterprise agreements cannot undercut the National Employment Standards, nor can they include wages that are lower than the base rate in the relevant award or the minimum wage.⁴

Enterprise agreements generally provide for benefits and entitlements that go beyond the safety net, including, for example, more generous or flexible leave entitlements or additional superannuation.

The Fair Work Commission (FWC) has separate frameworks for its annual decision on increasing the minimum wage and award wages. However, since 2011, both the minimum wage and award wages have increased by the same percentage change each year.⁵ Some EAs link wage increases to decisions on the minimum wage and awards.

ALMOST 40 PER CENT OF EMPLOYEES ARE COVERED BY ENTERPRISE BARGAINING

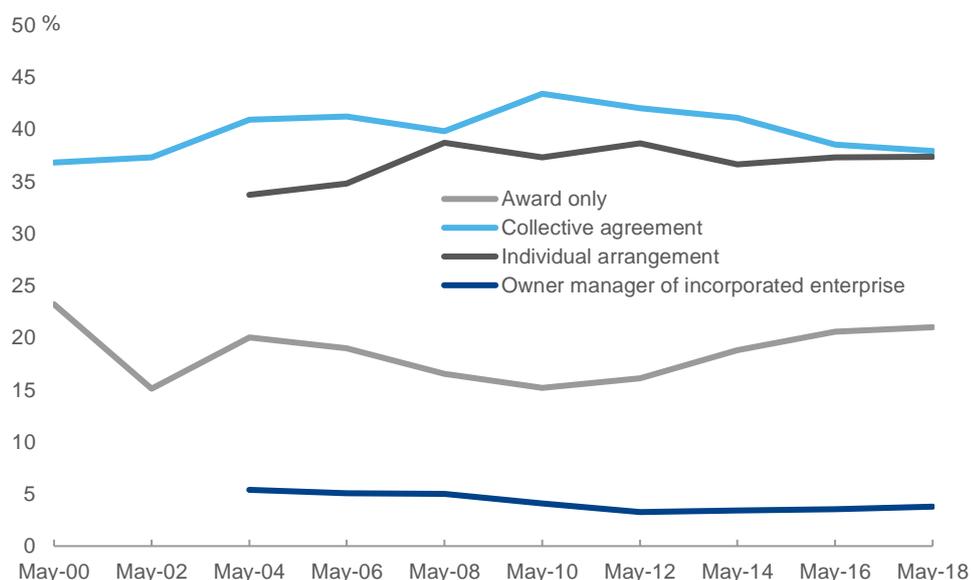
Enterprise agreements are a core part of Australia's workplace relations system. Almost 40 per cent of employees are covered by an enterprise agreement or around 4 million people. Just over 20 per cent of employees are on an award or around 2.2 million people, including around 200,000 people who are on the national minimum wage. Just under 40 per cent of employees have an individual agreement and less than 5 per cent own and operate an incorporated small business.⁶

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1. The Treasury, *Analysis of wage growth*, November 2017.
 2. Fair Work Act Review Panel, 'Towards more productive and equitable workplaces. An evaluation of the Fair Work legislation', Australian Government, Canberra, 2012.
 3. ABS cat. no. 5206.0; ABS cat. no. 6206.0; Heath, 'The Evolving Australian Labour Market', Speech to the Business Educators Australasia 2018 Biennial Conference, 5 October 2018.
 4. The Treasury, *Analysis of wage growth*, November 2017.
 5. Between 1993 and 2010 the minimum wage and award wages were increased by a flat dollar amount, meaning the percentage increase was higher for the minimum wage than it was for most award wages. Bishop, 'The Effect of Minimum Wage Increases on Wages, Hours Worked and Job Loss', *RBA Bulletin*, September 2018.
 6. ABS cat. no. 6306.0; RBA, *Statement on Monetary Policy*, February 2019.

This is a fundamental shift compared to how the Australian labour market operated up until the mid-1980s. Up until that point over 80 per cent of employees' pay and conditions were governed by the awards and determinations of federal and state tribunals.⁷

Over the past 18 years, around 40 per cent of the workforce has been employed under an EA. The coverage of EAs across the workforce trended higher through the 2000s. Coverage initially increased following the introduction of the *Fair Work Act 2009* (which replaced WorkChoices) – peaking at 43 per cent in 2010. Since then coverage has declined to 38 per cent in 2018.⁸

Figure 1: Three-quarters of employees are on EAs or individual agreements



Source: ABS cat. no. 6306.0

Note: Data not designed as a time series. 2016 data is an indicative comparable estimate published by the ABS in 2018. It means the categorisation of employment arrangements that are on the cusp of awards and collective agreements in 2016 is on the same basis as 2018.

Large employers use enterprise agreements more than smaller organisations

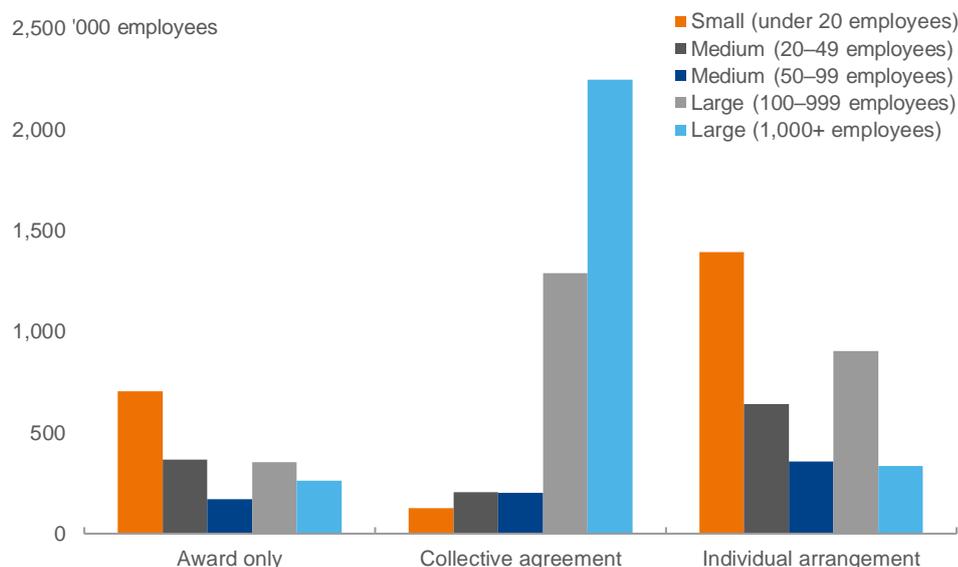
Large employers use enterprise agreements more than smaller organisations. While negotiating an enterprise agreement can be complex for any employer, larger employers are more likely to have the capacity to navigate through the system than smaller employers. Over 85 per cent of employees on EAs work for large employers (with 100 or more employees) and around two-thirds of employees on awards work for a small or medium sized employer (with under 100 employees).⁹

7. Whiteford, *Australia: Inequality and prosperity and their impacts in a radical welfare state*, 2013.

8. ABS cat. no. 6306.0.

9. Ibid.

Figure 2: Large employers have the most employees employed under EAs



Source: ABS cat. no. 6306.0

Note: 2014 data, latest data available with this breakdown

Why do businesses use enterprise agreements?

In a 2014 survey, the main reasons businesses gave for using EAs were:

- to respond to demands from employees or employee representative bodies (22 per cent)
- to reward employees with higher wages than the applicable award rate (21 per cent)
- to address award terms and conditions that were not suitable or flexible enough for the business (20 per cent)
- to reduce complexity from otherwise having to use multiple awards (17 per cent).

Source: FWC, *Australian Workplace Relations Study*, First Findings report, January 2015.

Note: Multiple responses were permitted. Enterprises that did not know whether there was an enterprise agreement in place were excluded.

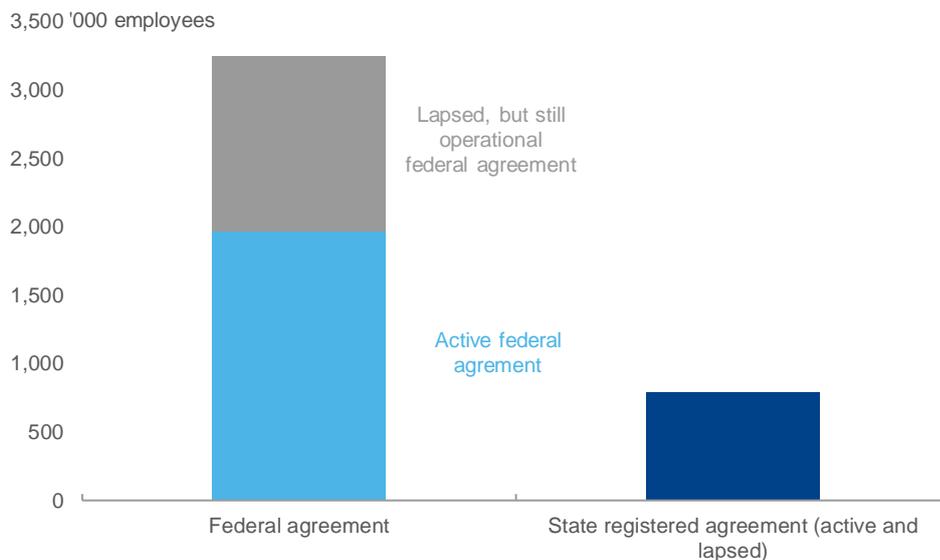
The number of employees covered by ‘active’ enterprise agreements has fallen since 2014

The number of employees covered by federal enterprise agreements rose rapidly in the 1990s after EAs became a part of the workplace relations system. But despite a small, recent uptick, the number of employees covered by federally registered, ‘active’ EAs has fallen since 2014.

Most EAs are federally registered. This proportion has grown from around 73 per cent in 2010 to around 80 per cent in 2018.¹⁰

10. Attorney-General’s Department, Trends in Federal Enterprise Bargaining Report, March Quarter 2019.

Figure 3: Most EAs are registered federally



Source: Business Council calculation based on Attorney-General’s Department, Trends in Federal Enterprise Bargaining Report, March Quarter 2019 and ABS cat. no. 6306.0

Although the overall proportion of employees covered by EAs in the economy has remained relatively stable (see Fig. 1), fewer people are being employed under ‘active’, federally registered agreements. The number of people employed under ‘active’ federal EAs, that is, EAs within their formal period of operation (up to four years from when the EA was approved by the FWC)¹¹ abruptly plateaued in December 2010 when 2.6 million employees were covered. After March 2014, this plateau (which was also the historical peak) ended and coverage dropped to its lowest point in almost a decade at almost 1.8 million people in September 2017. It has since started to recover and coverage increased to almost 2.1 million employees in March 2019.¹²

These changes have been broad-based across industries. In all but three industries, fewer employees are currently covered by active, federally registered EAs than were in March 2014 when coverage peaked.¹³

The number of ‘active’ agreements is falling, and to date this has shown no signs of halting. There are currently the lowest number of ‘active’ federal enterprise agreements in 20 years.¹⁴

In aggregate, the falls in the number of active agreements and employees covered under these agreements are being driven almost entirely by changing behaviour in the private sector.¹⁵

The recent recovery in the number of people employed under active agreements has occurred because the falls in the private sector have, for now, halted and the number of public sector employees covered by active agreements has risen to a record high. It is too

11. FWC, Enterprise bargaining fact sheet, <https://www.fairwork.gov.au/how-we-will-help/templates-and-guides/fact-sheets/rights-and-obligations/enterprise-bargaining>.

12. Attorney-General’s Department, Trends in Federal Enterprise Bargaining Report, March Quarter 2019.

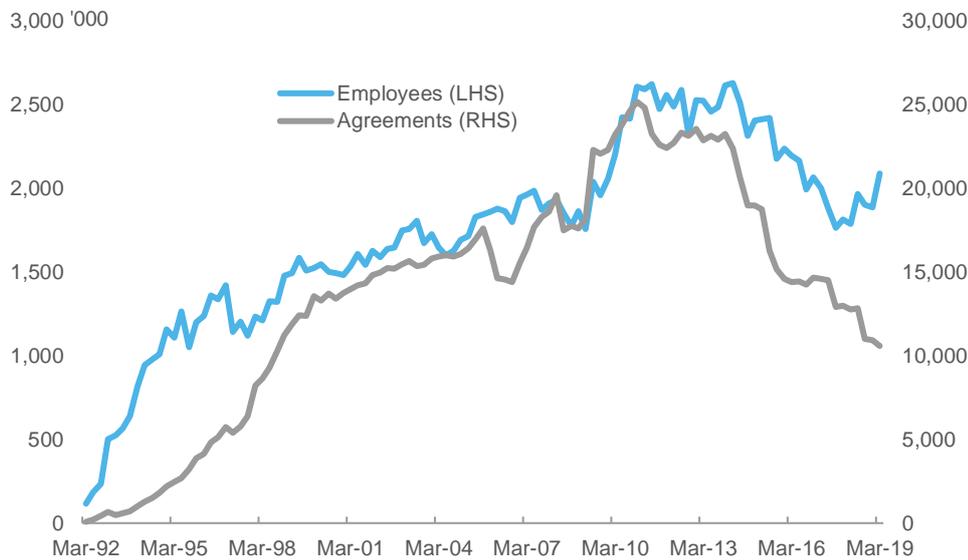
13. Ibid.

14. Ibid.

15. Ibid.

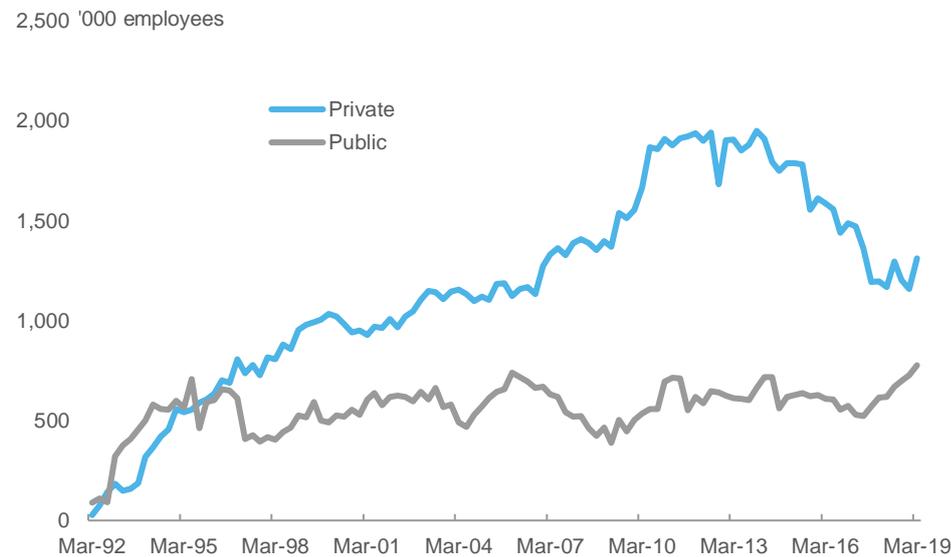
early to tell whether the recent stabilisation of the number of private sector employees covered by active EAs is a signal that the decline over the previous four years has arrested.

Figure 4: The number of federally registered, active agreements and the number of employees covered have fallen since 2014



Source: Attorney-General’s Department, Trends in Federal Enterprise Bargaining Report, March Quarter 2019

Figure 5: The number of employees covered by active, federally registered EAs in the private sector has fallen



Source: Attorney-General’s Department, Trends in Federal Enterprise Bargaining Report, March Quarter 2019

The use of enterprise agreements in the economy is changing

Although the total proportion of people covered by EAs in the economy has only declined slightly, the number of ‘active’ agreements has dropped substantially and fewer employees are covered by active agreements compared to the early 2010s.

This indicates that some employers and employees are choosing not to renegotiate agreements that have lapsed, but are still operational,¹⁶ negotiations are taking longer than they used to or employers are choosing not to use enterprise agreements altogether.

It is likely that this is in part being driven by complexity and uncertainty in the agreement, assessment and approval process.

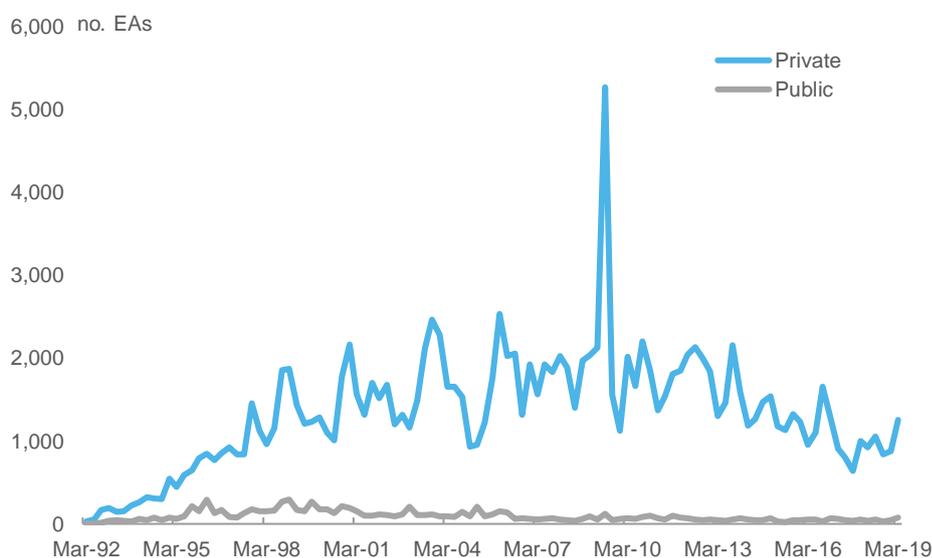
Between 2010 and 2014 an estimated 14 to 22 per cent of people employed under a federally registered EA were working in organisations where the EA had passed its nominal expiry date, but was still operational. It is likely that this gap will always exist to some extent because of lags between the nominal expiry date passing and negotiations for new agreements concluding.

However, the proportion of people working under federally registered EAs that have lapsed, but are still operational, has climbed over the past four years to almost 40 per cent of federally registered EAs in 2018.¹⁷

It is likely this is in part because a smaller proportion of EAs are being renegotiated once they have passed the nominal expiry date, renegotiations may be taking much longer than they did previously and fewer new agreements are being made.

An indication of this shift is the number of new (and renegotiated) federal agreements being approved every quarter was falling, mainly driven by a decline in the number of smaller employers using EAs.¹⁸ There are early signs that approvals of EAs are starting to pick up, but volatility in the series means it remains too early to call the start of a new trend.

Figure 6: New federally registered EAs approved each quarter was falling



Source: Attorney-General's Department, Trends in Federal Enterprise Bargaining Report, March Quarter 2019

16. Once an agreement reaches its nominal expiry date, the terms and conditions continue to apply until it is renegotiated or terminated by the FWC. Bishop and Cassidy, 'Wages growth by pay-setting method', *RBA Bulletin*, June 2019.

17. Business Council calculation based on ABS cat. no. 6306.0 and Attorney-General's Department, Trends in Federal Enterprise Bargaining Report, March Quarter 2019.

18. Australian Government, *Australian Government Submission to the Fair Work Commission Annual Wage Review 2019*, 15 March 2019.

The better off overall test is likely playing a role

It is likely that the better off overall test (BOOT) has contributed to a reduction in EA coverage generally and an increase in the prevalence of lapsed, but still operational enterprise agreements. The BOOT was introduced by the Fair Work Act in 2009. Previously, there had been different versions of a no-disadvantage test in the workplace relations system. In its 2015 inquiry into the workplace relations framework, the Productivity Commission found that “The application of the better off overall test (BOOT) discourages enterprise bargaining and creates uncertainty during the agreement approval process.” It recommended that the BOOT should be replaced by a new no-disadvantage test, which it argued “is likely to be more workable in practice”.¹⁹

In 2016, the FWC found the BOOT required every employee and prospective employee be better off than under the relevant award, rather than employees being better off overall.²⁰ This has driven a procedurally complex approach to BOOT assessments and is likely to be a factor in the decline in active agreements.

Both the number of active agreements and the number of employees covered by these agreements stopped growing by the end of 2010 and began a clear decline in 2013-14, by which time most EAs negotiated prior to the Fair Work Act would have reached their nominal expiry date.

Longer FWC processing times may also be contributing

A large rise in FWC processing times for approving enterprise agreements over the last two years are also likely to have been a contributing factor and may be deterring organisations from engaging in EA negotiations in the first place. Between 2013-14 and 2015-16, the FWC was largely meeting (or exceeding) its performance benchmarks for processing times. This had slipped considerably by 2017-18 when:

- just 13 per cent of applications were finalised within 3 weeks compared to the benchmark of 50 per cent
- only 36 per cent of applications were finalised within 8 weeks compared to the benchmark of 90 per cent
- 52 per cent of applications were finalised within 12 weeks compared to the benchmark of 100 per cent.

The FWC has identified that the main reason for this change was the rise in the number of agreements approved with ‘undertakings’ from 30 per cent in 2014-15 to 68 per cent in 2017-18, which generally take longer to process.²¹ (An undertaking is when an employer

19. Productivity Commission, *Workplace Relations Framework*, Inquiry Report, 2015.

20. Winckworth, Coles – the BOOT needs to fit all feet (not just the majority), <https://www.claytonutz.com/knowledge/2016/august/coles-the-boot-needs-to-fit-all-feet-not-just-the-majority>; FWC Decision, <https://www.fwc.gov.au/documents/decisionssigned/html/2016fwcfb2887.htm>.

21. The FWC has introduced new benchmarks for 2018-19. For applications that are compliant at lodgement and can be approved without undertakings: 50 per cent are to be finalised within 3 weeks and 100 per cent are to be finalised within 8 weeks. For applications that require undertakings or cannot be approved, contested applications, and applications requiring a hearing: 50 per cent are to be finalised within 10 weeks and 100 per cent are to be finalised within 16 weeks. FWC, *Annual Report 2017-18*, 2018.

undertakes to address minor concerns from the FWC where the EA would otherwise not meet requirements in the Fair Work Act.)²²

The procedural complexity arising from the agreement, assessment and approval process is also giving rise to delay. Ensuring that agreements pass the BOOT has become more complex for the FWC since the Coles decision. However, the Productivity Commission also cautioned against “technical purity” and procedure trumping “fundamentally-sound” EAs in its 2015 inquiry.²³

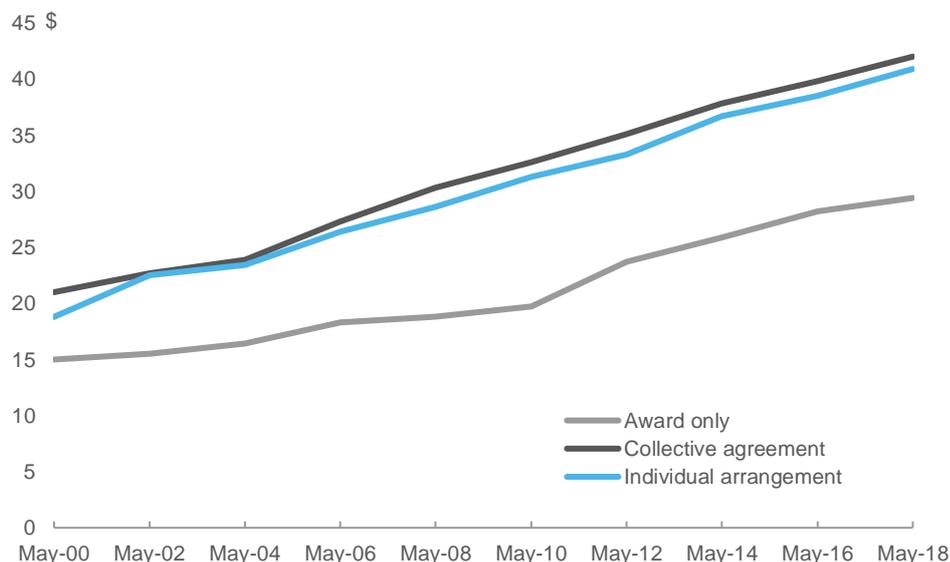
ENTERPRISE AGREEMENTS PAY HIGHER WAGES THAN AWARDS ON AVERAGE

Employees on enterprise agreements earn more than employees paid award wages, on average.

On average, non-managerial employees paid under EAs earn \$42.00 per hour. While non-managerial employees paid under awards earn \$29.40 per hour on average.

Within this average, there is wide variation. Not every person on an EA earns more than a person on an award due to differences in pay across industries and the types of work, but many more people on EAs have a higher income.

Figure 7: Average hourly earnings (non-managerial employees)



Source: ABS cat. no. 6306.0

Note: Data not designed as a time series. 2016 data is an indicative comparable estimate published by the ABS in 2018. It means the categorisation of employment arrangements that are on the cusp of awards and collective agreements in 2016 is on the same basis as 2018.

22. FWC, *Annual Report 2017-18*, 2018; FWC, Undertakings in enterprise agreements, <https://www.fwc.gov.au/awards-agreements/agreements/approval-process/undertakings>.

23. Productivity Commission, *Workplace Relations Framework*, Inquiry Report, 2015.

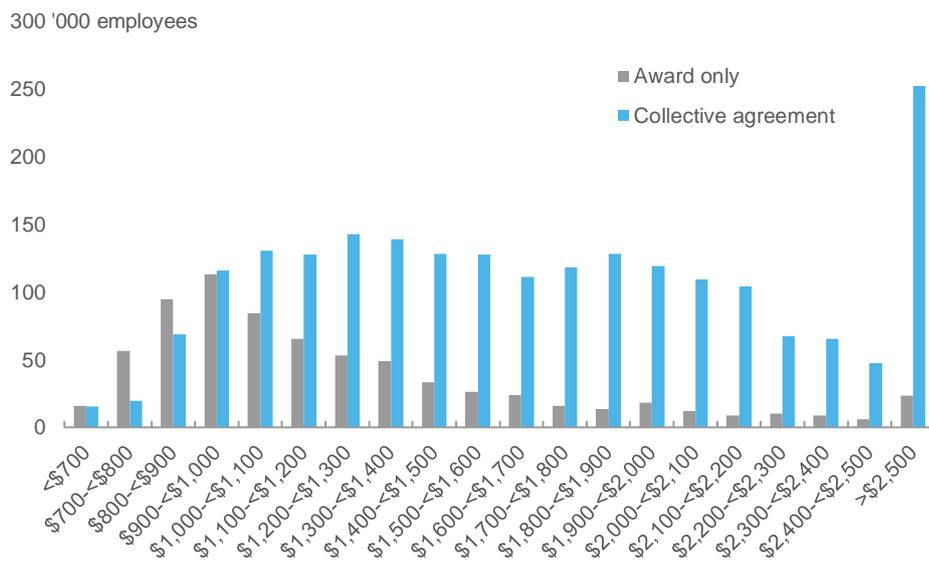
Just over 50 per cent of full-time employees employed under an EA in a non-managerial role earn over \$1,600 each week – only around 20 per cent of full-time employees employed under awards in a non-managerial role earn more than this a week. Around 250,000 full-time employees employed under an EA in a non-managerial role earn over \$2,500 per week. Only 23,000 non-managerial, full-time employees on awards are earning over that amount. The median weekly wage for all full-time, non-managerial employees is \$1,460.²⁴

In part, the higher average weekly wage for employees on EAs reflects the award system’s role as a safety net (although a substantial proportion of full-time, non-managerial employees on awards earn over the median wage). There is a legal requirement that employees on an EA must be better off overall than they would have been on the award. And people working in lower skilled jobs tend to be lower paid and are more likely to be employed under an award.²⁵

It also reflects differences across industries. For example, in the mining sector, which is highly paid on average, very few employees are on award wages.

In employers of every size, on average, wages are higher for people employed under EAs than people employed under awards. Wages also tend to be higher in larger businesses on average, reflecting their higher ‘capital per worker’, in other words how much investment the business has done over time.²⁶

Figure 8: Weekly earnings for full-time, non-managerial adult employees



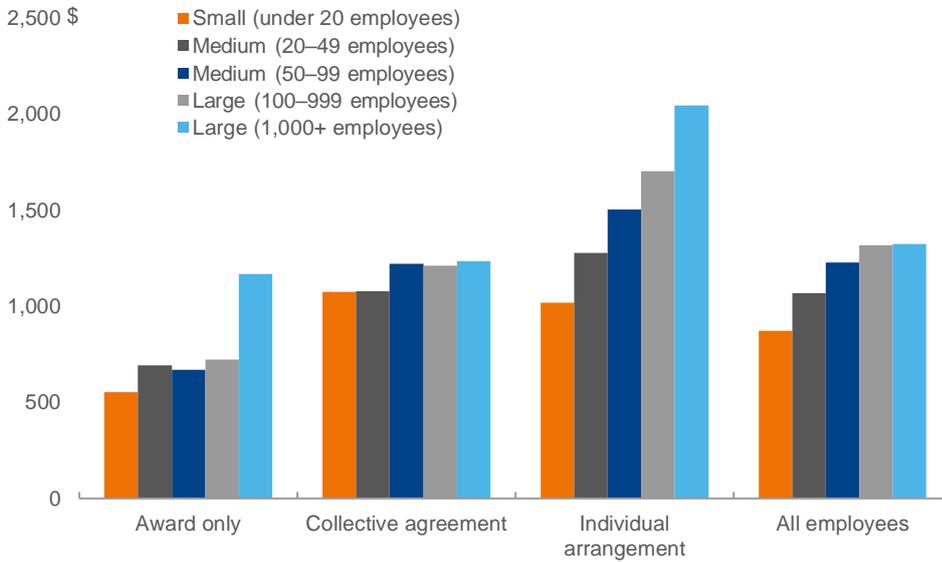
Source: ABS cat. no. 6306.0

24. ABS cat. no. 6306.0

25. Productivity Commission, *Workplace Relations Framework*, Inquiry Report, 2015. <https://www.pc.gov.au/inquiries/completed/workplace-relations/report/workplace-relations-volume2.pdf>

26. The Treasury, *Analysis of wage growth*, November 2017.

Figure 9: Average weekly earnings by employer size (full-time and part-time employees)



Source: ABS cat. no. 6306.0

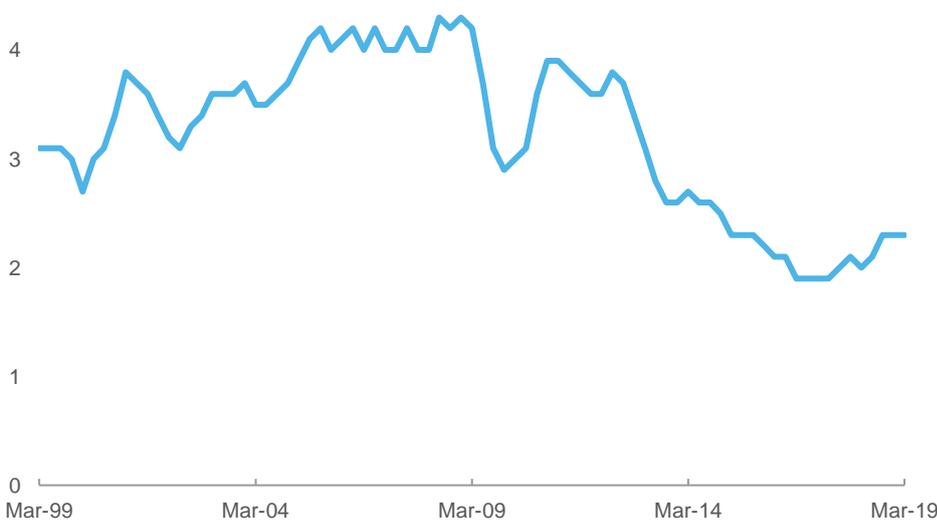
Note: 2014 data, latest data available with this breakdown

UNDERSTANDING WAGES GROWTH IN ENTERPRISE AGREEMENTS

By any measure, wages growth has been weak for several years. That said, nominal wages growth as measured by the wage price index (WPI) is slowly lifting. The WPI increased 2.3 per cent over the year to the March quarter 2019.

Figure 10: WPI growth is low, but increasing gradually

5 % growth through the year



Source: ABS cat. no. 6345.0

For agreements that are active (with quantifiable wage increases), wage growth is relatively strong – growing at an average annualised rate of 2.7 per cent in the March quarter 2019 – higher than the WPI growth for all employees. But the number of employees on active agreements dropped sharply between 2014 and 2017 (as outlined above).

The growth in the proportion of federally registered agreements that are lapsed, but still operational is likely contributing to the lower rate of wage growth for all employees on enterprise agreements – which is around 2.3 per cent.²⁷

The RBA sets out three reasons for the low (by historical standards) and steady wages growth under all EAs.

- Enterprise agreements set out the wage increases that will occur during the agreement. The length of time the average EA runs for has risen over time to a bit over three years today. This means some EAs currently in force reflect economic conditions from several years ago. When labour market conditions are deteriorating, this lag may help employees on EAs, but when labour market conditions lift, it will take longer for these improvements to flow into EA wages.
 - For example, wages growth under EAs was almost unchanged during the GFC, while it dropped sharply for individual agreements and the minimum wage was frozen in 2009.
- Most public sector employees are on EAs and currently make up around 40 per cent of employees on EAs. Governments have kept wages growth in the public sector relatively stable at around 2.5 per cent over recent years.
- Renegotiating EAs is taking longer than it used to and employees on lapsed, but still operational EAs may not be receiving pay rises.^{28,29}

The relatively strong wage growth for employees covered by active EAs (with quantifiable wage increases) shows the importance of having a well-functioning enterprise bargaining system where the unique circumstances of different businesses and the people that work in them are recognised. It shows that the success of the enterprise is shared when negotiating a new enterprise agreement is a straightforward process that balances the needs of employees and employers.

Wages growth in active, federally registered enterprise agreements is faster than the economy as a whole

For employees covered by active, federally registered enterprise agreements with quantifiable wage increases, wages growth is faster than the whole of the economy on average. WPI grew by 2.3 per cent through the year to March 2019, while the average annualised wage increase was 2.7 per cent in the March quarter 2019 for active, federally registered EAs with quantifiable wage increases.

27. Bishop and Cassidy, 'Wages growth by pay-setting method', *RBA Bulletin*, June 2019.

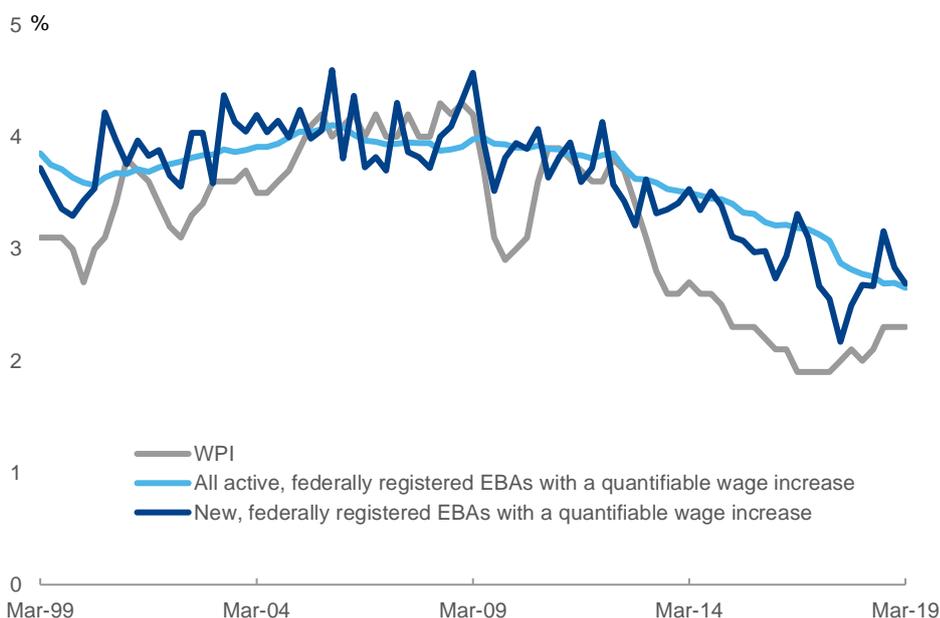
28. While an employee's pay rate remains above the award or minimum wage, FWC increases are absorbed into above-award remuneration provided for in the enterprise agreement.

29. RBA, *Statement on Monetary Policy*, May 2019; ABS cat.no. 6306.0; Page, *Wage-setting methods and wage growth in Australia*, ABS Chief Economist series, 2018; Bishop and Cassidy, 'Wages growth by pay-setting method', *RBA Bulletin*, June 2019.

However, fewer than 50 per cent of people who work under an EA are covered by active, federally registered EAs with quantifiable wage increases (see box below).

Wages growth in the wider economy and for employees employed under active, federally registered EAs with quantifiable wage increases was broadly similar for the first 14 of the past 20 years.³⁰ While both slowed between 2012 and 2017, the slowdown was much more pronounced for the wider economy than for employees employed under active, federally registered EAs with quantifiable wage increases. This gap has started to close over the past year.

Figure 11: Wages growth in active, federally registered EAs with quantifiable wage increases is stronger than the wider economy



Source: Attorney-General’s Department, Trends in Federal Enterprise Bargaining Report, March Quarter 2019; ABS cat. no. 6345.0

Defining active, federally registered EAs with quantifiable wage increases

As described above, the Attorney-General’s Department data on EAs only covers EAs that are federally registered, although that was around 80 per cent of EAs in 2018.

In addition, the data only covers ‘active’ EAs – that is, agreements that haven’t reached their nominal expiry date. Once an agreement formally expires, it continues to apply until it is renegotiated or formally rescinded through a hearing of the FWC. Some agreements continue to apply for years after the nominal expiry date. It is estimated that around 60 per cent of employees on a federally registered EA are on an active agreement.

Finally, the Attorney-General’s Department data on wages growth under federally registered, active EAs does not include EAs where the wage increase cannot be quantified. This includes EAs that do not have consistent wage increases for all

30. Except during the GFC.

employees (e.g. where wages are linked to individual or company performance) and if wage changes are linked to future movements in other decisions or metrics (e.g. the FWC's annual wage review, CPI growth or WPI growth). Recently there has been an increase in private sector EAs that link wage increases to FWC decisions.

Of the 10,571 agreements currently covered in this data, 7,328 agreements had quantifiable wage increases. The current number of employees that are on agreements without a quantifiable wage increase is not available. But in 2015, around 30 per cent of employees in this data were on EAs with unquantifiable wage increases. In some sectors, this proportion was as high as 80 to 90 per cent of employees (including accommodation and food, financial services and information, media and telecommunications).

Analysis of 2015 data by the Attorney-General's Department found that excluding non-quantifiable wage increases is likely to have a small impact on the representativeness of reported wage increases. It is not possible to know whether the more recent rise in the number of EAs which link wage increases to FWC decisions would change this analysis.

Because of these limitations, data on wages growth from the Attorney-General's Department covers fewer than 50 per cent of employees that are on all EAs in the economy.

Source: Attorney-General's Department, Trends in Federal Enterprise Bargaining Report, March Quarter 2019; ABS cat. no. 6306.0; Peetz and Yu, Explaining recent trends in collective bargaining, FWC research report, 2018; Bishop and Cassidy, 'Wages growth by pay-setting method', RBA Bulletin, June 2019; Department of Employment, *Non-quantifiable wage increases in federal enterprise agreements*, 2016.

The gap between WPI growth and wages growth under active, federally registered EAs with quantifiable wage increases opened up at a roughly similar time as the number of active agreements began to fall. The fall was primarily driven by smaller employers no longer using EAs.³¹ Larger businesses generally have stronger wages growth because they are more capital intensive and therefore experience stronger labour productivity growth.³² The interaction of these two dynamics may have contributed to wages growth in active, federally registered EAs with quantifiable wage increases holding up compared to the rest of the economy.

The higher rate of wages growth over the last six years for employees under active, federally registered EAs with quantifiable wage increases has held across almost all industries for a very similar time frame. That is, the stronger wages growth under these EAs has been widespread and is seemingly not being driven by a few high growth industries that are more likely to employ people under active EAs.

Why are wages under active, federally registered EAs with quantifiable wage increases growing faster than all EAs combined?

For employees covered by active, federally registered EAs with quantifiable wage increases, wages growth is faster than all EAs on average. The first had an average annualised wage

31. Australian Government, *Australian Government Submission to the Fair Work Commission Annual Wage Review 2019*, 15 March 2019.

32. The Treasury, *Analysis of wage growth*, November 2017.

increase of 2.7 per cent in the March quarter 2019, but wages only grew by around 2.3 per cent for the latter.³³

This seems to indicate that the drop in active EAs in the economy is contributing to lower wages growth on average across all EAs. If this is accurate, it would show the importance of ensuring the system for negotiating, agreeing and approving EAs should be as functional as possible.

The increase in lapsed, but still operational EAs could act like a wage freeze for some employees because once an EA has passed its nominal expiry date, it will not prescribe further wage increases.³⁴

However, employers can provide 'catch up' pay should a new EA be negotiated and approved. For example, catch up wage increases for Victorian health employees who had not received a wage increase since 2015 partly accounted for the jump in wages growth under new federally registered EAs in the September quarter 2018.³⁵

33. ABS cat.no. 6345.0; Bishop and Cassidy, 'Wages growth by pay-setting method', *RBA Bulletin*, June 2019.

34. Productivity Commission, *Workplace Relations Framework*, Inquiry Report, 2015.

35. Attorney-General's Department, Trends in Federal Enterprise Bargaining Report, September Quarter 2018.

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