



Report on Public Consultations for the Australian Fair Pay Commission's 2009 Minimum Wage Review

A Southwell, S Elliott, R Zappelli and G French
TNS Social Research
May 2009

Report commissioned by the
Australian Fair Pay Commission, 2008

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Executive summary

The Australian Fair Pay Commission undertakes ongoing research and consultation programs to ensure its wage-setting decisions take into account economic and social circumstances of low-paid Australians and their employers. The information, gathered through stakeholder consultations, submissions and economic research, has been supplemented by a program of targeted public consultations. TNS Social Research was commissioned to conduct and report on the public consultations. Cultural Partners Australia were commissioned to undertake consultations with the Indigenous community.

This report presents the consolidated findings from three stages of public consultations, which included in-depth interviews, focus group discussions and online discussion forums with employers, employees and job seekers. Stage one of the consultation program was conducted over November and December 2008, stage two was conducted in February and March 2009 and stage three in April 2009. The findings from stage one provided a benchmark from which to track changes in views and experiences over time. Stages two and three engaged all of the Commission's target groups and, where appropriate, reconvened with participants involved in previous stages. As economic and labour market conditions have evolved over the consultation period, the findings in this report examine the changes in attitudes and behaviours observed. Where appropriate, comparisons are also made with findings from public consultations conducted for the 2007 and 2008 Minimum Wage Reviews, and research conducted over May/June 2008 that explored employer responses to minimum wage adjustments.

Summary of findings

Employment and competitiveness

Perceptions and experiences of the current economic environment

Stage one consultations elicited mixed perceptions of the likelihood of the global economic crisis affecting the Australian economy among employers, employees and job seekers. This informed the delineation of three segments: the *'Convinced'*, the *'Uncertain'* and the *'Not Convinced'*. The *Convinced* group felt that the global economic crisis was having an impact in Australia, and was likely to worsen. The *Uncertain* group were confused about whether, and if so how, the Australian economy was likely to be affected. The *Not Convinced* segment dismissed the downturn outright as media hype.

While in stage one the prevalent views held by employees, job seekers and employers tended to be *Uncertain* and *Not Convinced*, by stage two all groups were convinced that the downturn was 'real' rather than 'media hype'. Overall, the economic downturn was salient for more employers than employees and job seekers. This was most apparent in stage one of the consultation program. By stage two, employees and job seekers were increasingly engaged with the issue and more focused on job security than in consultations conducted for the 2007 and 2008 Minimum Wage Reviews. This is reflective of a 'lag effect' where the experiences and perceptions of the downturn for employees largely stem from employers' actions.

While all participants consulted in stages two and three were convinced that the global economic crisis would negatively affect Australia, there were varying levels of concern observed among participants and significant diversity of responses and actions. Attitudes and actions in response to the current circumstances varied according to confidence levels, exposure to the downturn through location or industry, and personal experience of the

effects of the slowing economy. The consultation highlighted five groups of similar attitudes and associated responses as summarised in Figure 1 below.

Figure 1: Diverse reactions to economic circumstances: segments

| | | | | |
|---------------------|---|---|---|---|
| Fearful | → | • Pessimistic about the future, believe that their personal situation will worsen | → | • Already experiencing negative effects of downturn • Lack confidence generally |
| Resolute | → | • Prepared to challenge and survive | → | • Experiencing negative effects of the downturn though less long-term than Fearful • Feel better equipped to get through |
| Apprehensive | → | • Unsure what to think | → | • Have not experienced negative effects of the downturn personally • Less understanding of economic issues • Less confident generally |
| Optimists | → | • Believe that it's not as bad as people suggest • Potential to benefit | → | • Have not experienced negative effects of the downturn personally • Confidence about skills/quality of product or service |
| Unaffected | → | • Don't think they'll be affected | → | • Feel protected by industry/ local economy |

Despite these varying attitudes, overall, the consultations indicated that the public 'mood' about the economy had changed. While, in stage one, concern about the downturn rested with a limited pool of participants who had seen or experienced its effects, in stages two and three, participants across the board were more engaged with the issue. Most had assessed its potential impacts on their personal situation, reviewed future expectations, and considered, planned or implemented changes as a result.

There were varying predictions of the duration of the downturn: some felt that it had peaked, while others anticipated the situation to worsen considerably over the coming months, potentially persisting well into 2010. However, the manifest change in attitudes among employers, employees and job seekers suggest that notwithstanding a sudden improvement in the economic environment, concern about economic issues and employment may intensify as 2009 progresses.

Employers and labour costs

Attitudes to labour costs

As has been reported previously, the higher the proportion of labour costs for the business, the more tightly the wage bill is controlled. This appears to be true in both strong and weakening economic conditions. Many employers reported attempting to achieve a balance between retaining their experienced workers by accepting a reduction in profit, and maintaining profit levels through significantly reducing labour costs. Approaches that involved reducing labour costs included:

- retaining all staff and dividing a reduced number of hours across all casuals;
- reducing the number of staff and only retaining the best performers;
- implementing a hiring freeze and increasing productivity of existing employees; and
- hiring cheaper (i.e. junior) employees.

Decreasing pay rates was not spontaneously mentioned by any employers as an option for addressing labour costs. Only employers with higher-paid salaried staff or those paying above the relevant minimum rates were in a position to consider this option. Of the few employers who had contemplated this adjustment, it was felt that the process would have to be handled very carefully to avoid any negative effects on staff morale.

A few employers claimed that the economic instability had enabled them to attract employees to positions that had previously been difficult to fill.

Business adjustment variables: labour costs

Staffing was often the most obvious target for cost-saving by employers, particularly in industries with high levels of casual employees. While some employers reported having already reduced hours, using junior staff instead of more expensive senior staff, suspending hiring or retrenching staff, others indicated that they may make such adjustments should the downturn continue.

The consultations confirmed that decisions about labour (recruitment and retention) are made in the context of local markets and existing workplace relations arrangements. They are also influenced by the individual approach and circumstances of the business operator. A number of factors have a bearing on these decisions, including:

- The *proportion of operating expenses that labour costs comprise*. Where labour costs form a relatively small proportion of operating expenses then cost-cutting measures that do not involve adjustments to staffing can have a large impact. However, where labour costs form a large proportion of total costs for the business then reductions to these costs have a significant effect, while cost cutting in other areas may not.
- The *performance of the market in which the business operates* impacts the viability of non-labour-related adjustments, for example, marketing efforts or price adjustments.
- The *nature of staff working arrangements, and the ease with which they can be altered*. The flexibility of working arrangements determines the ease with which labour adjustments can be made.
- The *state of the labour market for staffing requirements*, which affects the perceived value of making adjustments to staffing, for instance, the extent to which employers have been affected by skills shortages during prosperous periods.
- *Relationships with staff and importance of workplace environment*, which also have a bearing on an employer's inclination to make staffing adjustments.

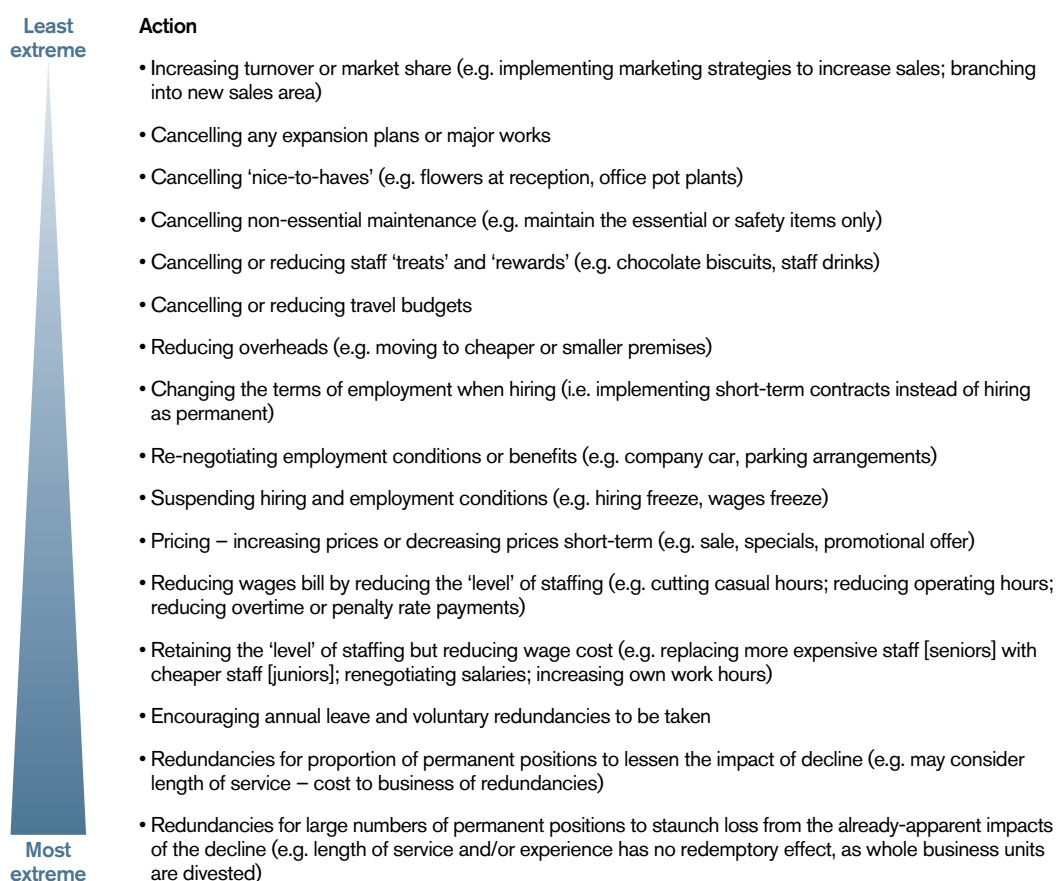
The consultations revealed commonalities according to industry and business size where patterns of adjustment were, to some extent, similar. These included the following examples:

- Accommodation and food services and Retail employers had high relative labour costs, high numbers of casual workers and were often functioning in particularly competitive markets. As such, measures targeting the wages bill were among the first to be implemented. Price increases were not considered feasible by most employers at this point in time. Some employers attempted to redistribute hours across their casual staff before reducing staff numbers, often due to concern for the welfare of their employees.
- Businesses in Manufacturing, Administrative and support services and Health care and social assistance tended to be more wary of losing their skilled staff. Employers in these industries tended to focus on increasing productivity of existing staff, implementing marketing strategies and cutting costs in other ways. In some cases employers

absorbed the loss instead. Many employers in the Health care and social assistance industry did not report experiencing negative effects of the economic downturn like employers in other industries. Commercially operated businesses in this industry were therefore in a better position to implement price increases if required. Conversely, some employers in Manufacturing who were competing with companies using off-shore labour were considering price decreases.

Despite the differences in implementation (what an employer does when), there was some broad consistency in the **perceived 'severity'** of different means of adjustment. Figure 2 broadly depicts the relative significance of specific actions taken as perceived by employers in the consultations. For example, employers agreed that making permanent positions redundant was a severe action relative to strategies placed toward the tip of the continuum.

Figure 2: Perceived severity of actions (adjustment variables): least extreme to most extreme



The main triggers for action (tipping points) were observed to be:

- media coverage and public opinion (mood), which influenced general caution in business strategy, such as hiring decisions or preventive measures (including some cut-backs in hours worked);
- anecdotal evidence – reports of other neighbouring business or friends or family;
- observational evidence – observing slower customer 'traffic', fewer walk-ins or bookings; and

- business performance:
 - recorded decline in revenue
 - recorded decline in profit
 - significant loss.

The relationship between triggers and actions is varied and may include many triggers associated with many actions (rather than one-to-one relationships). However, the more severe triggers such as significant loss or reported declines in revenue or profit were generally associated with the more severe actions. These include multiple strategies and significant staffing decisions such as making redundancies. Other general observations are outlined below:

- The use of preventative measures such as changes in pricing strategies or marketing to increase revenue were observed to be more prevalent in stages two and three consultations. This was said to be changing the nature of competition for some businesses. Many employers who had not experienced any effect of the downturn had revised their marketing strategies to boost revenue. Likewise, limiting non-essential costs was viewed as prudent given the economic downturn, and many employers were attempting to do this regardless of their current performance.
- Anecdotal reports about struggling businesses in the same industry frequently acted as a trigger to more serious cost cutting. The nature of this varied according to industry. Observation of slower sales or fewer 'walk-ins' often encouraged more formalised changes in operational policy, including implementation of hiring freezes, not paying overtime, or suspending wage rises. More explicit declines in revenue prompted changes to staffing such as reductions in hours. Increasing losses triggered staff retrenchment.

Outlook for 2009: employers

In general, employers had become more speculative about the stability and continued viability of their business, revising former expectations of growth and profitability. While some were reporting early effects of the downturn, others expressed confidence about the future for their business. Many were planning and implementing preventative measures in anticipation of worsening conditions.

The three stages of research highlighted how quickly employer confidence is changing as economic conditions evolve. There were several examples of employers moving between attitudinal segments in accordance with varying signs of positive or negative business performance. Many employers appeared more willing to take action in response to negative signs than to positive signs, reflecting the underlying 'wariness' about the economic situation. There was a sense of reluctance to undo changes implemented either to prevent or to lessen the effects of the downturn, in case the situation changed again.

Capacity to obtain and remain in employment

A changing labour market: an employee or employer market?

In consultations conducted for the 2007 and 2008 Minimum Wage Reviews employers reported struggling to attract suitable staff in the tight labour market. Employees reported an increased capacity to pick and choose what jobs they would take. However, in stages two and three of the 2009 Minimum Wage Review consultations, employers and job

seekers were reporting changed labour market conditions more akin to **an employers' market** where supply was more abundant than demand.

In some (regional) locations, the labour market had already been depressed for some time due to local factors such as drought, therefore the immediate effects of the general economic downturn were somewhat masked. In those locations, expectations were already pessimistic.

Employees who had been personally or vicariously exposed to the effects of an economic downturn spoke about retrenchments and increasing competitiveness in the job market. Compared to other participants, **job security** appeared to be the salient factor, and more so than it had been in consultations conducted in 2007 and 2008. This sentiment appeared to have become more widespread by stages two and three, with those currently in work reporting they were focused on ensuring they were retained in the workforce.

Attitudes to employment and unemployment

No new factors affecting decisions to work emerged in these consultations: work continued to be regarded as an important and positive part of life. Job seekers who did mention the declining economic climate thought that it would diminish their chances of securing employment. Consultations in stages two and three revealed more job seekers revising down expectations and being prepared to take on jobs that they had previously deemed undesirable.

Work patterns and arrangements

The diversity of work patterns and arrangements was reflective of the wide range of locations, industries and age groups that participants were drawn from. Preferences for particular work patterns (casual hours, penalty rates and overtime) varied considerably, depending on availability and need for additional income.

From stage one to stage two of the public consultation program, a shift was observed in the attitudes of employees and job seekers. Given more prevalent experiences of limited job choices and the reduced hours of casual work, more concern for job security was being expressed and therefore a greater desire for permanent work was emerging.

Underemployment

Underemployment was a relatively common experience among employees in stage one and even more so in stages two and three of the consultations. It was almost universally linked to casual work. The negative effects included insufficient take-home pay as well as psychological and emotional factors such as frustration and a sense of powerlessness. Overcoming underemployment was generally about finding another source of income via an additional or an alternative job. However, reasons given for underemployment included labour market factors which may prevent workers finding more hours or a second job, including:

- employers cutting shifts – particularly those incurring penalty rates;
- employers rostering cheaper employees (juniors) rather than more expensive senior staff;
- employers rostering the experienced and productive employees over the less-experienced staff (juniors); and
- local conditions (e.g. drought-affected areas).

Job security and labour mobility

Attitudes to job retention and security derive from an interplay of factors such as confidence in personal employability, motivation to work, current financial or personal obligations and perceptions of job desirability. Perceptions of security were higher among those who thought that the effects of an economic downturn would be minimal for the particular industry or business they were currently working in.

In stage one of the consultation program, job security was not generally among the primary factors participants considered when talking about their employment. However, it often emerged subsequently when participants discussed potential future effects of an economic downturn. These concerns were expressed more strongly in the consultations conducted during stages two and three. Concerns were more often expressed by participants who were working out of immediate financial necessity rather than those working to fund non-essential activities or 'wants'.

In terms of mobility, there were noticeably fewer spontaneous mentions of moving to 'greener pastures' for employment opportunities, compared with the opportunities discussed in consultations conducted as part of the 2007 and 2008 Minimum Wage Reviews.

Obtaining work

As reported following the 2007 and 2008 consultations, the main barriers to entry continue to be age, family responsibilities, access to and affordability of childcare, transport costs or distance to work, lack of (certified) skills, lack of relevant experience, poor health and disability. As well as these factors, decreased availability of jobs and greater competition for positions emerged as significant barriers to finding employment.

The factors integral to the decision about whether to take a particular job remain complex. However, the primary consideration is, as always, the desire to be 'better off'. This is most often framed in terms of increasing the amount of remuneration or attaining better benefits and conditions. Other considerations against which being 'better off' is measured included such things as quality of life, job security and workplace flexibility.

Factors that job seekers 'traded-off' when deciding to take a job are similar to those reported in previous consultations. They needed to 'do their sums' in order to determine if they will be any 'better off' in employment than receiving government allowances. The main trade-offs include transport, childcare costs and the retention of the Health Care Card. By stage two of the consultation program fewer caveats were being placed on the types of jobs being sought. Greater openness was observed among job seekers regarding occupations, however other trade-offs such as the costs of working remained primary considerations.

Outlook for 2009: job seekers

The outlook for most job seekers changed markedly over the stages of consultation. In stage one there were somewhat polarised viewpoints about whether it was easy or hard to find a job in the current environment. Many participants claimed there were still plenty of jobs available. Judgements about job availability seemed to be based mostly on the number of positions advertised in newspapers, particularly in stronger markets. A few employees discussed positions that had not been filled in the 'boom' environment, which had allowed employees to pick and choose jobs.

Consultations in stages two and three revealed that the negative expectations observed among job seekers in stage one were increasingly becoming realised. Discussion focused to a far greater extent on the difficulty of the job search process. Participants asserted that there were fewer jobs advertised, that employers were increasingly selective, and that applications were disregarded if any criterion was unmet. Some had been out of employment for long periods, and some concluded that the current job-market was the 'hardest' that they had experienced. Overall, there was a growing sense of desperation among job seekers and increased preparedness to 'trade-down' to work that was previously considered to be undesirable.

Providing a safety net for the low-paid

Cost of living and cost of working

As in previous consultations, the increased cost of living and the increased cost of working were frequently mentioned by low-paid employees and job seekers. While not featuring prominently in discussions, two aspects that had brought relief to some participants were reductions in interest rates and lower petrol prices. However, many still claimed that over the past year the cost of living had increased while wages had not kept pace. One aspect of particular financial concern was the **cost of housing** (rental), which some claimed had increased steadily over a number of years. The cost and lack of **suitable childcare** was also a major contributor to the cost of working for the mothers of infants.

Factors affecting income and spending

As the level of personal financial responsibility increases, the necessity for income through wages increases. Among the low-paid and unemployed participants there were two subgroups reporting to be under particular financial pressure:

- those with responsibility for children – both single parents and low-paid couples; and
- younger employees living (or becoming) independent of their parents.

The low-paid employees and job seekers describe their situation in terms of being able to 'maintain a reasonable standard of living', being able to 'make ends meet' and 'keeping their heads above water'. Many reported that their living expenses were increasing and that their income was less and less able to cover their needs. Other participants discussed wanting to 'get ahead' or attain 'just a little bit more' in the belief that this would make their lives easier. Proposed means of achieving this included seeking labour market opportunities such as:

- taking a job or an additional job;
- working more hours in their current job;
- taking on more overtime, shift loadings and penalty rates of pay; and
- finding a higher-paid job.

Some particular groups were affected by current economic circumstances; several participants reported their **casual hours being cut**, severely curtailing their ability to earn sufficient income.

Outlook for 2009: low-paid employees

There were signs that anxiety about the future was causing attitudinal and behavioural change among employees. The wariness about spending, revised expectations and aspirations, concern for job security and focus on 'getting by' was reflective of, and perpetuating, the changed mood. It was no longer only those who had experienced externally driven changes to their employment or living arrangements whose attitudes and behaviours were shifting.

Monitoring the effect of wage decisions

Wage setting arrangements

While most employees had noticed an increase in their hourly pay rate in the last few months of 2008, they generally did not know the reason for the increase.

As has also previously been the case, employers were generally more knowledgeable than employees about the role of minimum wages, however there was mixed awareness about the size of the 2008 increase or the effect that increases to minimum wages have on above-award/Pay Scale rates.

Effect of changes in wage rates

Employers paying minimum rates reported larger effects from regulated wage increases: employers paying their workers 'above-Award' rates seemed more insulated from the direct effects of regulated wage increases, and thus the reported effects on their business were minimal.

Wage increases were again universally welcomed by **employees**. However, low-paid employees are a diverse group with disparate levels of need which are often influenced by the degree of responsibility taken for others. In short, those with commitments for others reported needing more income, while those with fewer commitments were more comfortable with their current wage.

As in previous consultations, employers with large proportions of employees paid minimum wages reported being significantly affected by the 2008 increase. For some this also coincided with a noticeable downturn in revenue in their business due to economic circumstances. A few employers claimed to have already seen negative effects from the slowing economy and taken action. Others reported that if the downturn were to continue they would need to take action that would affect employees. Responses specific to increases in labour costs in the context of decreases in revenue were not able to be isolated in the discussion.

Minimum wages in the current environment

The consultations indicated that, as attitudes toward the economy shift, so do perceptions of the need for change to minimum wage rates. In the most recent consultation, many employers asserted that minimum wage rates should remain unchanged. While most employees favoured an increase in minimum wages to meet perceived high costs of living, some employees recommended a more modest rise or even a plateau of minimum rates. This appeared to be motivated by concern about job security and the potential effects of higher wage rates on employment levels.

Attitudes and understanding

The perceived importance of minimum wages

While understanding about minimum wages was limited among all participants, the importance of having minimum rates was not questioned in the changing economic landscape. Participants continued to comment on, and support, the role of minimum wages in:

- protecting the vulnerable;
- protecting wage standards in general; and
- ensuring an adequate standard of living for all.

Nonetheless, the links between minimum wage increases and inflation, and consequential cost-of-living increases, were cited by some employees, as has also been the case in previous consultations.

While most employers recognised the importance of minimum wages for society, they were also aware that the cost of wages directly affected their capacity to make a profit and also their ability to employ staff. However, while some employers debated the merit of minimum rates, the majority of employers supported the concept of minimum wages.

Considerations and expectations for 2009

Both employers and employees were uncertain about what 2009 holds – not just from a personal point of view, but also from a wider societal perspective. While there were varied perceptions of the economic situation in Australia, the prevailing sense was that **'only time would tell'** what the repercussions of the global economic crisis would be.

Perhaps as a consequence of this uncertainty, when participants were asked to act in the role of the Commissioners (to decide whether to increase or decrease minimum wages, or leave them as they are), there was a more muted response than has been evident in prior consultations. Participants recognised the uncertainty of the current economic situation, and therefore the difficulty of the wage-setting decision.

The 2009 Minimum Wage Decision

In consultations conducted for the 2007 and 2008 Minimum Wage Reviews there was almost universal agreement among employees and job seekers that minimum rates should increase. In the most recent consultations the majority still thought that minimum wages should increase, citing higher costs of living.

As mentioned above, a number of employees thought that current economic conditions – or the threat of negative effects in the (near) future – warranted a small increase or even a plateau of minimum rates. One of the reasons given for showing restraint was the likely effect on job availability, with some participants asserting that employees would rather trade-off an increase in their pay rate in order to retain their job.

Views among **employers** were more varied. While employers empathised with the challenges faced by low-paid workers, many claimed that increased wages would make it harder for employers to manage in a declining economic climate (when raising prices may not be feasible), and thus they claimed that wages should remain the same. However, several employers thought that low-paid employees should get an increase to take the

pressure off and enable them to manage better. Conversely, several other employers thought that minimum rates should decrease. Many noted the importance of monitoring the situation closer to the time of the decision, given the pace of change and the uncertainty about the economy over 2009.

Perceptions of the year ahead

When considering the task of decision-making, the wider economic implications of minimum wage increases prompted more discussion among participants than in previous consultations where the focus for employees had been solely on trying to keep up with cost-of-living increases. While that sentiment was still very strong, there was also a distinct undercurrent of concern about what could be on the horizon, and whether the economic situation would worsen.

The consultations conducted in stages two and three confirmed that employers, employees and job seekers are increasingly accepting the reality of the economic downturn in Australia, and are conscious of its effects or potential effects on their personal situation. For employees and job seekers, this tends to focus on their employment, and appears to have translated to greater appreciation for job security than observed in previous consultations. Nonetheless, concern about the costs of living remains high, and continues to overshadow concern about job security among those whose working situations have not changed. Moreover, limited understanding of economic issues acts as a significant barrier to making the connection between minimum rates of pay and employment levels for many participants.

Participants who have personally felt the effects of the slowing economy whether through reduction in working hours, redundancy or increased difficulty in finding employment, are more mindful of job security generally and more appreciative of the relationship between rates of pay and employment. This was demonstrated in stage two of the consultations by the number of junior employees whose hours had been cut, who were recommending that the minimum wages remain unchanged.

The research highlights how quickly views of the economic situation change. While in stage one, the majority of participants were uncertain or not convinced that the 'global economic crisis' had reached Australia; by stages two and three there was widespread acceptance that the economy was slowing. Personal concern about its effects also appears to shift quickly, with evidence of change in the attitudes of some participants in the short period between stages two and three.

Perceptions of minimum wage rates seem to move in accordance with these shifting attitudes. If the economic downturn continues, it is likely that more and more employees and job seekers will personally experience its effects. As this occurs, the balance between concern about costs of living and concern about job security is likely to continue to shift, and appreciation of the role of wage rates in employment levels strengthens.

Employers who were experiencing the effects of the slowdown most strongly recommended that minimum wages remain unchanged. Though increases to minimum wages are seen as fairly minor for some, those with high numbers of low-paid employees are sensitive to any change, particularly when revenue is declining.

Employers operating in the Retail and Accommodation and food services industries tended to be experiencing the effects of the downturn more strongly than those in other industries. Most had already made adjustments to staffing as a result of the effect of the downturn

on revenue. It was these employers who were recommending that minimum wages remain unchanged. Employers in other industries, while expecting – and in some cases preparing for – decline, had not yet experienced effects of a slowing economy to the same extent. These employers recommended that minimum wages be increased.

1. Introduction

1.1 Background and purpose of the consultation

The Australian Fair Pay Commission is an independent body responsible for adjusting federal minimum and classification wages to promote the economic prosperity of the people of Australia. The Commission was established under the *Workplace Relations Act 1996*. In adjusting wages for approximately 1.2 million workers in Australia, the Commission plays an important role in the management of the Australian economy.

The Commission's approach to wage-setting places great importance on gathering information through economic and social research, submissions and consultations.

The Commission's public consultation research ensures that wage-setting decisions are based on an understanding of the economic and social circumstances of those Australians who are directly affected by its wage-setting decisions.

Information obtained through public consultation research is considered in the context of all information gathered, including that obtained through statistical economic research and written submissions. Importantly, information gathering is part of a continuous process.

As the process of consultation evolves with each minimum wage review, information is gathered from a broader range of target groups, and with the intensity of discussion on particular topics also varying, providing cumulative knowledge of minimum wage issues. For the 2009 Minimum Wage Review, the Commission again consulted widely with all stakeholders to explore the impact of previous decisions and to inform future decisions.

Public consultation research for the 2009 Minimum Wage Review has emphasised building on existing knowledge: acknowledging what the Commission has learned from prior consultations, as well as gaining new insights and perspectives into minimum wage issues.

1.2 Consultation process

Public consultation research for the 2009 Minimum Wage Review was conducted in three stages:

- Stage one: November – December 2008
- Stage two: February – March 2009
- Stage three: April 2009

The stages of the program represent the period immediately following the implementation of the minimum wage increase of October 2008 (stage one) and up to six months post-implementation (stages two and three).

This report presents findings from all stages of the public consultation program. It follows on from an interim report prepared in February 2009 that detailed findings from stage one of the program.

1.2.1 Research audiences

In fulfilling its wage-setting function, the Commission places importance on understanding the impact of its wage-setting decisions on those directly affected by such decisions. The Commission must have regard to the following four key criteria:

- the capacity for the unemployed and low paid to obtain and remain in employment;
- employment and competitiveness across the economy;
- providing a safety net for the low paid; and
- minimum wages for junior employees, employees to whom training arrangements apply and employees with disabilities, to ensure that those employees are competitive in the labour market.

This public consultation research sought to include views and experiences of low-paid employees, unemployed job seekers and employers of low-paid workers, through the following methods:

1. *Focus groups* – targeted consultation with low-paid employees and unemployed job seekers in small group discussions of up to eight participants with structured facilitation.
2. *Interactive online discussion forums (bulletin boards)* – targeted consultation with low-paid employee, unemployed job seekers and employer groups utilising interactive online discussion forums of up to 14 participants over a period of five days. Activity questions were set for each day, similar to the structured facilitation of focus group discussions.
3. *In-depth interviews* – targeted consultation through semi-structured in-depth interviews of individual employers by a member of the Secretariat and/or a TNS Social Research researcher.
4. *Follow-up interviews* – stages two and three of the consultation program involved follow-up interviews with low-paid employees, unemployed job seekers and employers who participated in previous stages of the consultation program. These were conducted by telephone by TNS Social Research researchers or a member of the Secretariat.

1.2.2 Structure of participation for target groups

The public consultation program was conducted in three stages, the scope and structure of which are outlined below. Further information about fieldwork specifications is contained in Appendix A.

Stage one

Stage one comprised a series of sixteen focus group discussions, three online bulletin boards and seven face-to-face in-depth interviews, conducted in November and December 2008.

Focus groups

Experienced TNS Social Research facilitators conducted a total of 16 face-to-face targeted discussion groups of between five and eight participants. These consultations took place in a central location and were of between one and a half and two hours duration. The group structure was as follows:

- n = 10 groups with low-paid employees; and
- n = 6 groups with unemployed job seekers.

The focus groups were conducted across five states, in a mix of metropolitan and regional areas, and in locations experiencing high and comparatively low levels of economic prosperity, including:

- Brisbane, Sydney, Melbourne and Perth; and
- Mackay, Berri and Traralgon.

Appropriate locations were selected by the Secretariat to complement other consultation activities for the 2009 Minimum Wage Review. Locations were also selected on the basis of local economy performance and employment levels as well as including a range of industry and environmental factors (e.g. drought, employment levels, seasonal tourist labour demands and/or booming or contracting industries). Consideration was given to the ongoing nature of the Commission's consultation process. Regional locations were selected to supplement those in which consultations had taken place for the 2007 and 2008 Minimum Wage Reviews.

Interactive online discussion forums (bulletin boards)

Experienced TNS Social Research facilitators conducted a series of online discussion forums of up to 14 participants located across five states. These included:

- n = 1 online discussion with junior, apprentice and trainee employees;
- n = 1 online discussion with employers of low-paid workers; and
- n = 1 online discussion with employers from consultation research conducted in May/June 2008.

In-depth interviews

A series of seven face-to-face in-depth interviews were conducted with employers in the Administrative and support services, Manufacturing, Retail, and Accommodation and food services industries across three states. Interviews were conducted in the employer's workplace or a suitable venue, and were between 45 minutes and one hour in duration.

Stage two

Stage two of the public consultation program was conducted in February and March 2009 and comprised a series of six online discussion forums, 16 face-to-face in-depth interviews, 17 follow-up telephone interviews with stage one participants and six mini-group discussions.

Interactive online discussion forums (bulletin boards)

Experienced TNS Social Research facilitators conducted a series of online discussion forums of up to 16 participants located across all states and territories. These included:

- n = 2 online discussions with employers of low-paid workers;
- n = 2 online discussions with low-paid employees;
- n = 1 online discussion with junior, apprentice and trainee employees; and
- n = 1 online discussion with a mix of unemployed and underemployed job seekers.

In-depth interviews

Stage two of the public consultation program also involved a series of 16 face-to-face in-depth interviews conducted with employers in the Administrative and support services, Manufacturing, Retail, Accommodation and food services, and Professional, scientific and technical services industries. Interviews were conducted in the employer's workplace or a suitable venue, and were between 45 minutes and one hour in duration. Interviews were conducted in metropolitan and regional areas across three states and two territories.

Follow-up interviews

In addition, 17 follow-up interviews were conducted with participants from stage one consultations, including:

- n = 8 low-paid employees;
- n = 4 unemployed job seekers; and
- n = 5 employers of low-paid workers.

Interviews were conducted by telephone and were between 30 and 40 minutes in duration.

Mini-group discussions

Experienced Cultural Partners Australia facilitators conducted six discussions with up to five Indigenous participants. These consultations took place in a central location and were of between one and a half and two hours duration. The group structure was as follows:

- n = 3 female low-paid employees; and
- n = 3 male low-paid employees.

The groups were conducted in Sydney and regional Queensland.

Stage three

Stage three of the public consultation program comprised 19 follow-up interviews with participants from stages one and/or two of the consultation program, including:

- n = 4 low-paid employees; and
- n = 15 employers of low-paid workers.

Interviews were conducted by telephone and were between 30 and 40 minutes in duration.

1.2.3 Research with young people

This research was carried out in accordance with the Australian Market and Social Research Society (AMSRS) Code of Ethics and the National Privacy Principles (NPP). Particular attention was paid to the clauses relating to the conduct of research with young people:

'Children are defined as being "under 14 years" and young people are defined as being "14–17 years". In the case of young people, where the information to be collected is "sensitive information" as defined by the Privacy Act, Researchers must seek the consent of a responsible adult.' [Australian Market and Social Research Society]

'In the case of young people, where the information to be collected is sensitive information as defined by the Privacy Act, research organisations should seek the consent of a responsible adult; where research involves any subjects or circumstances that might reasonably be judged to be of concern to parents or guardians of the young person (e.g. sexual activity, violence and drug taking), but does not include sensitive information as defined by the Privacy Act, consideration should be given to seeking the consent of a responsible adult.' [AMSRS Code of Ethics]

1.2.4 Observation by the Commission

The majority of focus groups were observed by Commissioners and Secretariat staff. Commissioners also took the opportunity to address the groups at the conclusion of the discussion and to answer any questions raised by participants. The interactive online discussion forums were observed by Secretariat staff.

Participants were informed about observation at the time of recruitment and prior to the commencement of each discussion.

1.3 Reporting approach and structure

1.3.1 Report style and presentation

The primary objective of this research was to gather the views and experiences of a wide range of Australians from different sectors of the community, and from businesses that are affected by the Commission's wage-setting decisions. Relative prevalence of opinion and experience are noted throughout this report in order to highlight the more frequently expressed themes, however this report also presents the range of different opinions and experiences articulated by research participants, rather than simply focusing on the main or repeated themes.

Accordingly, a larger number of quotes than is typical for a qualitative research report are presented in the body of the text (clearly indicated in italics, with the attribution in square brackets). Where these quotes add particular meaning or context to the discussion, short profiles of participants are presented. Names have been changed and distinguishing details removed in order to preserve the identities of those who took part in the consultations.

1.3.2 How to use this report

This research purposefully sought to include the opinions and experiences of participants representing a variety of circumstances on a range of issues (as identified by the Secretariat in collaboration with TNS Social Research). These opinions and experiences have been presented across the structure outlined below:

- **Section 2 Employment and competitiveness** focuses on current economic and labour market conditions as perceived and experienced by employers, employees and unemployed participants. The salience and interpretation of information available on the global economic downturn, and cases in which this translates into behaviours and behaviour change among the target groups, are explored.
- **Section 3 Capacity to obtain and remain in employment** describes current labour market dynamics, attitudes to employment and unemployment, work patterns and arrangements, job security and labour mobility.

- **Section 4 Providing a safety net for low-paid employees** contains discussions on what comprises the disposable income of low-paid and unemployed participants, as well as the various costs of living that influence discretionary income and expenditure.
- **Section 5 Monitoring the impact of wage decisions** explores participants' views and experiences of the impact of the Commission's 2008 General Wage-Setting Decision, including participants' awareness of the changes as well as discussion of adjustments implemented in response to wage rate changes.
- **Section 6 Minimum wages in the current environment** presents issues relating to the 2009 review of minimum wages and the priority factors for consideration raised by participants.

2. Employment and competitiveness

Key findings

- There were mixed levels of concern about the prospect of an economic downturn evident in stage one consultations. Three discrete groups were identified: 'Convinced', 'Uncertain' and 'Not Convinced', although by stage two of the consultation program, public mood appeared to have changed and all groups were now convinced the downturn was 'real' as opposed to 'media hype'.
- In stage one, employers were more concerned than employees and job seekers, due to higher awareness levels of the potential for, and likely impact of, an economic downturn in Australia. However, by stage two there was evidence that employees and job seekers were feeling the effects of a slowing economy.
- Attitudes and actions in response to the current circumstances varied according to the confidence level of the individual, exposure to the downturn through location or industry, and personal experience of the effects of the slowing economy. The consultation highlighted five groups of like attitudes and associated responses, some with more severe impacts (*Fearful, Resolute*), some unsure (*Apprehensive*), and some with more positive perspectives (*Optimists, Unaffected*).
- Adjustments implemented in response to changing economic conditions varied according to the level of concern about the economic situation, industry, geographic location and business life cycle.
- Triggers or 'tipping points' for employers to act in response to, or in preparation for, declining revenue included public mood or media reports; anecdotal stories from friends or neighbouring businesses; observations from customers' behaviour; decreased revenue, decreased profit; reports of significant financial loss.
- At the end of 2008 the outlook for employers was one of *wait and see*; however, by stage two more employers were taking (preventative) action including addressing labour costs, in anticipation of worsening conditions.

The consultation was designed to examine the experiences of employers and employees immediately following the most recent minimum wage increase of October 2008, and then up to six months post-implementation in February to April 2009. The program was conceived and designed to capture lagged impacts of the change to minimum wages. However, this report was written in the context of one of the most significant global economic downturns in recent history. The first stage of the consultation program was conducted over November and December 2008, and therefore participant perceptions of the 'current environment' were canvassed in the context of the economic downturn beginning to unfold. Importantly, this period was before the Christmas and post-Christmas sales. The second stage was conducted in February and March 2009, after Christmas trade. Over the intervening period, media coverage of the impact of the economic downturn both overseas and in Australia increased, for example, news relating to company shares losing value, banking issues, mine closures or downsizing in mining and manufacturing operations resulting in significant job losses.

This section outlines the awareness, attitudes and behaviours of employers, employees and unemployed participants as at April 2009, with reference to the interim findings from stage one consultations conducted in November and December 2008. Discussion highlights the relevant issues at this time, providing further validation and exploration of initial views on the economic environment in a more contemporary context. For example, some of the sentiment found in stage one translated into widespread behaviour change by stage two. That is, the concerns expressed by some employers, employees and job seekers in stage one have since been realised. Given the pace of change in economic circumstances and business responses to these developments, it is anticipated that further changes to business operations and labour cost management will continue to unfold over coming months. Therefore, the findings contained in this report represent a snapshot in time as at April 2009.

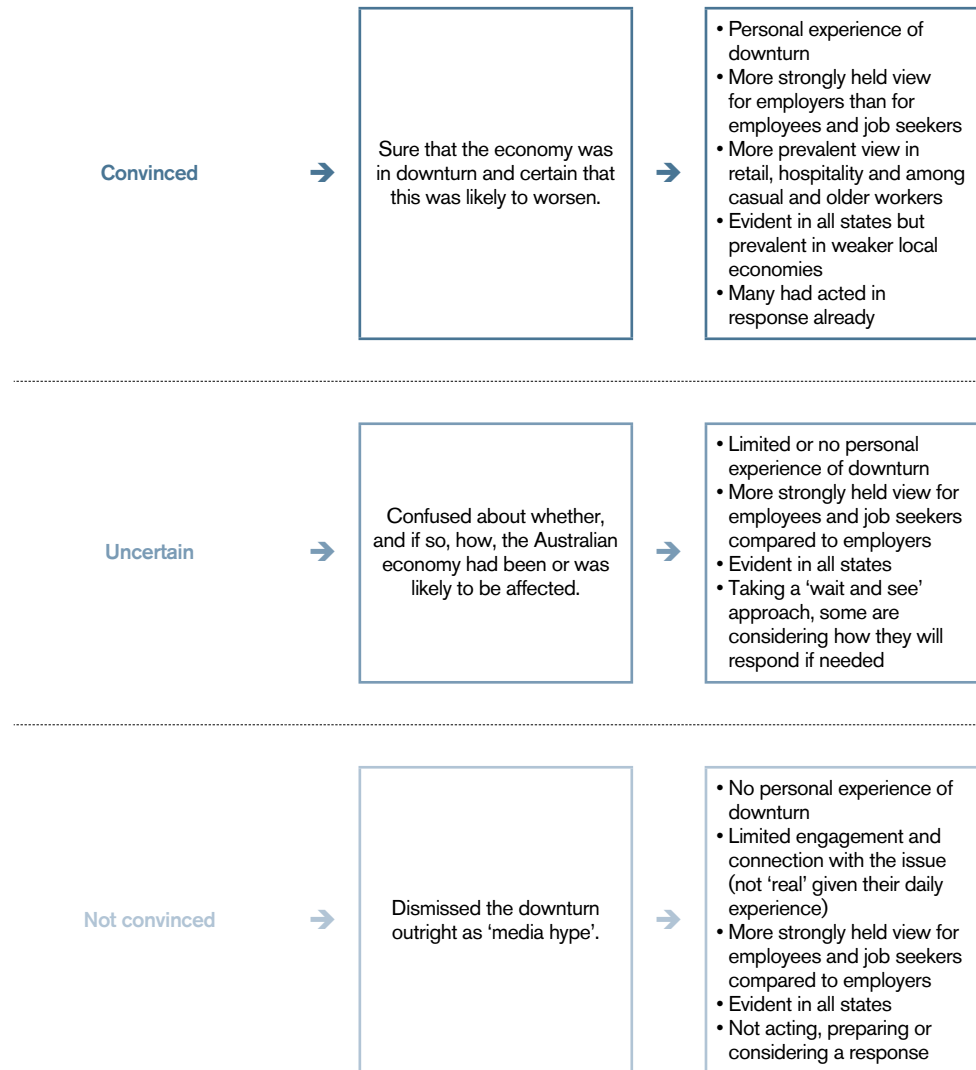
2.1 Perceptions and experiences of the current economic environment

2.1.1 Overview: changing perceptions

Over the period from stage one to stage two of the consultation program, there was a notable shift in the perception of Australia's economic environment among employers, employees and job seekers. In stage one, acceptance that the Australian economy was in downturn varied considerably. By stage two, very few employers, employees or job seekers doubted that the economy was slowing.

At the end of 2008, media reports of stock market crashes, falling property prices, declining levels of consumer confidence and rising unemployment were often viewed sceptically. These reports were not generally accepted as 'proof' of an economic downturn except by those who had seen or experienced other signs of a slowing economy. There were mixed levels of concern evident among both employers and employees. Accordingly, interim reporting following stage one of the consultation program identified three distinct segments. These are summarised in Figure 3.

Figure 3: Diverse responses to economic circumstances



While not a quantitative study, the stage one consultations highlighted that the more prevalent views among employers, employees and job seekers were either 'Uncertain' or 'Not Convinced'. Fewer participants were 'Convinced' due to limited exposure to tangible impacts of the downturn:

'It sounds as though it's kind of not happening yet, people are thinking it might happen in the future but you know. Like, is anyone actually thinking there's something – have you heard about someone losing their job?' [Low-paid, focus group participant, 45+ years, Brisbane, stage one]

By stage two there was a growing acceptance that the economy was indeed in decline. Few employers, employees and job seekers disputed that the economy was slowing, and many were predicting it would worsen. The dismissive attitudes that were apparent in stage one were not observed in stage two and three consultations:

'Up until recently I was taking it all in my stride and putting my head in the sand, but since being back from the Christmas break I have taken more interest in the world economic crisis. And I must say it is starting to worry me.' [Employer, bulletin board participant, Manufacturing, small, Perth, stage two]

This acceptance appeared to be fuelled by increasing experiences and observations of what were considered tangible signs of a slowing economy. It was also reflective of a change in public mood about the issue. While in stage one it was only those who had personally experienced or observed 'recessionary signs' who were convinced that the economy was slowing, in stage two most participants, regardless of their experiences, believed this to be the case.

Understanding of the causes of the downturn was mixed. Employers were generally better informed than employees and job seekers, and more prepared and able to discuss potential causes or drivers of economic change. For example, employers often linked the global economic crisis to unregulated financial markets enabling 'corporate greed' to flourish, resulting in irresponsible lending and the sub-prime mortgage crisis. Australia's involvement was often attributed to over-dependence on the 'resources boom', and close ties to the now-struggling economies of China and America. Many employers felt that the situation was worsened by negative reports about the economy in the media, which were seen to encourage people to be more cautious, and therefore to spend less. Employees and job seekers also mentioned these issues, but tended to be less knowledgeable overall. Generally, the younger participants and the participants from Indigenous groups were openly ignorant about the subject and about 'economic issues' generally:

'I can't understand how if Wall Street is down, how does this affect us in Australia?' [Low-paid, Indigenous focus group participant, 21–40 years, Sydney, stage two]

Nonetheless, stronger acceptance of the economic downturn was evident across all three groups: employers, employees and job seekers. In stage one, the slowing economy seemed to be salient for more employers than other participants. However, by stage two, the issue appeared to have assumed notably greater significance for employees and job seekers.

2.1.2 Signs of economic slowdown

Participants in all stages of the consultation reported personal experience of the economic downturn. However, the frequency and nature of these reports changed notably over the period of the consultation program. These reports became more common and more explicit in the consultations conducted in stages two and three.

For many employers the impact of the downturn on business was increasingly apparent. This was through observation of fewer sales and 'gut feel' that business was slowing, or as recorded in profit and loss figures:

'There has definitely been a decline in clientele in the last six months, if not longer. This time last year our bookings were almost triple what they are now.' [Employer, bulletin board participant, AFS, small, Adelaide, stage one]

'There has been a decline in business over the last twelve months. This may be due to increased competition in the area, and generally people seem to be spending less than they used to.' [Employer, bulletin board participant, AFS, small, Canberra, stage two]

There was evidence of an even greater change in employees' experiences of the economic downturn. In the stage two and three consultations, employees recounted a variety of

incidents that they thought were associated with the slowing economy. These included:

- experiencing a reduction in working hours;
- having to work more or do extra tasks without additional payment;
- experiencing difficulty in obtaining the desired number of working hours; or
- feeling vulnerable about retaining ongoing employment.

In stage one of the consultation program, such reports were relatively rare and most often cited by typically 'vulnerable' participants, such as older employees and those with health problems. In stages two and three, many younger participants (including recent graduates and junior employees) also claimed to be experiencing negative impacts of the downturn:

'We have lost a few staff and we are only replacing the necessary staff. Current staff are doing overtime to cover shifts instead of hiring casuals. So two staff are not being replaced.' [Low-paid, bulletin board participant, 18–20 years, New South Wales, stage two]

'I've definitely noticed a change in the area of retail. Over Christmas I was working 30-plus hours per week, but since about the middle of January, I have been struggling for hours, getting less than 10 most weeks. People are handing in their résumés at my work and we just don't have any jobs for them. So I think it would be very difficult to find employment at the moment.' [Low-paid, bulletin board participant, 21–25 years, Brisbane, stage two]

Stage two and three consultations also revealed the experiences of job seekers had changed. There were now more frequent assertions of **fewer jobs** available, and that finding employment had become considerably more difficult in recent months (see Section 3.6 Obtaining Work, for discussion of job search experience). Likewise, employers were now receiving more unprompted applications for work:

'There wouldn't be a day go by when I would not get at least three résumés for staff; many (especially international students) are even willing to work for free. I have never seen it this high before. We have been able to select from a greater skilled group when we needed new staff this month.' [Employer, bulletin board participant, AFS, medium, Queensland, stage two]

'I am finding there are less jobs advertised for retail management and full-time/ casual salespersons. I know of people in retail losing their jobs due to the owners cutting down on staff or hours as well as some owners putting off all staff within the last few months.' [Unemployed, bulletin board participant, 35–49 years, Brisbane, stage two]

Analysis by industry suggested that employers and employees in Retail and Accommodation and food services had been more severely affected by the downturn than those in other industries. Interestingly, it seemed that cafés, restaurants, accommodation and retailers were experiencing stronger declines in revenue than those in public hotels, some of whom reported strong growth. Reports among those in Manufacturing were mixed. Manufacturers of everyday 'essential' items seemed to be faring better than manufacturers of non-essential items. There were also mixed reports among participants in Administrative and support services, though they did not appear to be experiencing the level of decline reported by others. Few in Health care and social assistance felt they had been affected:

'Retail in general is tough. The stores we know around the same locations as our stores have all been significantly down since November last year. I know this through talking to

others in our industry and of course through the news. We have made several changes and are slowly lifting our figures, so hopefully through careful management we will keep it up and survive! [Employer, bulletin board participant, Retail, large, Melbourne, stage two]

'I see our industry underperforming and I attribute that to the financial crisis going on around us. People just don't have the extra money to spend on entertainment.' [Employer, bulletin board participant, AFS, small, Melbourne, stage two]

'The manufacturing industry in our suburb is very quiet. We talk to our neighbours and the reps that come in and they say things are very quiet out there. We are a manufacturing company producing a non-essential item, and in today's economic downturn the consumer is trying to save money wherever they can, so that means not buying non-essential items. People are always looking for a bargain, so I assume sooner or later our wholesale buyer will buy offshore for a better price.' [Employer, bulletin board participant, Manufacturing, small, Perth, stage two]

'As we operate in the service, repairs and troubleshooting areas, we are not doing too badly in this area. What has plummeted are new installations, which is sales. Therefore, service [is] doing fine, possibly better than previously (still waiting on figures but feels good). Whereas sales are basically not happening. As we tend to (until recently) carry out two to three installations per week, and these tend to be new or relocating businesses, that these are not occurring indicates a fairly broad slowdown.' [Employer, bulletin board participant, ASS, small, Brisbane, stage two]

'I think the childcare industry [is] still okay at the moment, besides ABC Learning Centres. I've heard that lots of centres are full and the enrolment for our centre is still going up too.' [Employer, bulletin board participant, HCaSA, small, Melbourne, stage two]

Most participants shared experiences of being negatively affected by the economic downturn. There were mixed reports throughout the consultation program from participants in various states. It was widely felt that New South Wales and Victoria were already in downturn, but that Queensland and Western Australia would be more strongly affected in the coming months as the mining boom receded:

'You can see it on the streets in Sydney – Glebe Point Road is quiet through the week, even on Thursday night. Sunday, I usually go out and have a beer in Glebe, and these were pubs that were packed. No-one's going out now.' [Low-paid, Indigenous focus group participant, 40+ years, Sydney, stage two]

'Queensland is doing better than, say, New South Wales, essentially because mining has propped up the economy. With the Chinese minerals contracts all coming up for renewal soon, and that the Australian suppliers have been screwing them for years, means Queensland is coming in for a fairly hard landing ... we having nothing to fall back on.' [Employer, bulletin board participant, ASS, small, Brisbane, stage two]

By stage two, almost all participants knew of others who had been affected by the downturn. Stories of friends and acquaintances who had lost their jobs or gone out of business were commonly recounted by participants across all industries and locations. Many also identified various forms of economic distress locally, including factory and business closures, staff redundancies and falling property values:

'Here in Sydney there have been three DAs [development applications] that have been approved but they've fallen down because they can't get finance. This is the main reason why we've been very cautious now, even though things are looking quite optimistic for us. In our sector we've just seen the sale of a hostel in Kings Cross which was up for

\$3.5 million last year; this year it's up for \$2.5 million. Obviously the value of the business is less. [This] is a growing concern. These are sort of signs we see that maybe things aren't all that great.' [Employer, interviewee, AFS, large, Sydney, stage two]

'I've got a really good friend who I went through all of uni with, and we did exactly the same course and she's having so much trouble finding a job as well. I thought it was just me but I met [up with] her in Melbourne recently [and] she's like me. She's looking everywhere for jobs and it's really annoying her. She applies for jobs and this one time she did get a call back and she really got pretty excited about it. They said "Let's meet for an interview" [and that they'd] call before the interview to arrange the time, but didn't call. She's just getting really upset because she'd keep calling them and it gets really frustrating because they don't really care. She hasn't got a [permanent] job yet and she's still at [a department store] and like me, she hasn't got many hours.' [Low-paid, follow-up interview, 21–29 years, Perth, stage two]

There were mixed predictions of the likely duration of the downturn in Australia across all industries. Some predicted that the Australian economy had reached the lowest point of the decline and would improve in the coming months, while others felt the downturn would persist well into 2010:

'Australia hasn't felt it yet but I think you have got to wait until a good six months, six months' time before you start to feel it ... Well, I don't think it is going to be good, that is the thing. Look at the interest rates, it is just falling and falling and falling and falling and I don't think we will recover as quickly as what the government would say; that is my perception.' [Employer, follow-up interview, Retail, small, Sydney, stage two]

'I'm hoping after the end of financial year it will start to [pick up again]. I don't know why I sort of picked then, I just think for a few months it will slow until everybody gets on their feet again, realises everything is going to be okay, and then, yeah, it will go ... it will sort of start to pick up again.' [Employer, follow-up interview, AFS, micro, Queensland, stage three]

2.1.3 Widespread acceptance but varying concern

As acceptance of the Australian economic downturn grew in the first few months of 2009, so did personal concern about its impacts. Unlike stage one of the consultation program, where personal experience was driving levels of concern, by stage two most participants who had not personally experienced or observed the effects of the slowdown were also convinced that it was happening and showed some level of concern.

The economic downturn was raised spontaneously in much of the discussion as an important social issue for Australia. It was now considered normal to 'have an opinion', and to consider the possibility of being personally affected. In stage one, concern about the downturn rested with a limited pool of participants who had seen or experienced its effects. By stage two, participants across the board were more engaged with the issue. Most had assessed its potential impacts on their personal situation, reviewed future expectations, and considered, planned or implemented changes as a result:

'Bad news from America, England, even China, and then what our government has done such as guarantee individuals' bank deposits and the Christmas cash bonus. All of those made me think something is happening all over the world, and I have to do something to prevent or minimise the loss.' [Employer, bulletin board participant, Retail, small, Melbourne, stage two]

The extent to which these considerations translated to personal concern and ultimately behaviour change varied. This reflected a range of interrelated factors, including experience of the downturn thus far, the perceived likelihood that specific industries and locations would be affected, understanding of economic issues, and personal confidence more generally.

Findings suggested that participants could be grouped into five attitudinal segments on the issue, as described in Figure 4.

Figure 4: Diverse reactions to economic circumstances: segments

| | | | | |
|---------------------|---|---|---|---|
| Fearful | → | • Pessimistic about the future, believe that their personal situation will worsen | → | • Already experiencing negative effects of downturn • Lack confidence generally |
| Resolute | → | • Prepared to challenge and survive | → | • Experiencing negative effects of the downturn though less long-term than Fearful • Feel better equipped to get through |
| Apprehensive | → | • Unsure what to think | → | • Have not experienced negative effects of the downturn personally • Less understanding of economic issues • Less confident generally |
| Optimists | → | • Believe that it's not as bad as people suggest • Potential to benefit | → | • Have not experienced negative effects of the downturn personally • Confidence about skills/quality of product or service |
| Unaffected | → | • Don't think they'll be affected | → | • Feel protected by industry/local economy |

Fearful

'*Fearful*' participants were extremely concerned about the economic downturn. They expected conditions to worsen considerably and were pessimistic about their personal situation in the coming months.

These participants had already experienced what they considered to be significant effects of the downturn. Many employers reported implementing a variety of 'survival' measures in response to declining revenue, which had little effect (see Section 5.2.2 Business responses and strategies, for detailed discussion). With few remaining options, *Fearful* employers felt they had few or no options remaining and it was unlikely their business would recover. Some of these employers were planning or attempting to sell.

Similarly, *Fearful* employees and job seekers had generally experienced changes in their working conditions, such as having their hours reduced, or being retrenched. These participants felt anxious about their predicament and were generally less confident about their employability. This group included the low skilled, those with very narrow or specific skill sets, those with health problems and older people. Participants who felt insecure in their workplace and had not been unemployed previously also showed *Fearful* characteristics (see Section 3 Capacity to obtain and remain in employment, for a detailed discussion).

Most *Fearful* employers and employees were in the Retail and Accommodation and food services industries, and to a lesser extent in Manufacturing and Administrative and support services. There were no *Fearful* employers or employees in the Health care and social assistance industry:

'In the next six months I don't think any U-turn will happen here in Australia. It will only get worse. I don't know what the government will have on hand to help Australians after this \$900 handout. I will certainly try my best to keep sales [but] I don't know what will happen after six months. I don't look that far ahead.' [Employer, bulletin board participant, Retail, micro, Melbourne, stage two]

'I am the most optimistic person in the world! Nevertheless, it keeps me awake at nights. I have never worked harder. I feel we can and will grow, but I am worried it will not be by enough or quickly enough.' [Employer, bulletin board participant, AFS, small, Adelaide, stage two]

'I had worked in retail on [a] casual basis around 16 hours per week and I would be called in for overtime a lot. I was with the company 12 months then employment ceased about two months ago. I felt quite lost and scared having no wage coming in.' [Unemployed, bulletin board participant, 26–34 years, Victoria, stage two]

Jean*

Jean runs a wholesale manufacturing business producing timber giftware, which employs four full-time staff, one part-time and four casuals. They have been in business since 1949, but performance this year has been weaker than any they have experienced before. Jean thinks it's because the items they produce are not essential and people don't have the finances to buy 'extras', given the economic situation. They have made a host of changes to the business including cutting back costs and reducing staff but are running out of options. Jean is fairly pessimistic about the future of the business, pointing out *'we have downsized to cope with these losses but any further fall in sales and we won't be able to continue.'* [Employer, bulletin board participant, Manufacturing, small, Perth, stage two]

* Name changed

Resolute

Participants in the *'Resolute'* segment either had been or thought they would soon be personally affected by the economic downturn. Unlike those in the *Fearful* segment, these participants showed greater confidence and more resolve to 'weather the storm', and were comparatively positive about the future.

Employers in this segment tended to have experienced a decline in sales or orders, and/or were working in industries that have slowed in recent months. They expected their situation to worsen but had implemented strategies to 'get them through'. At least some of these strategies were having a positive effect. A key difference between this group and the *Fearful* group was the shorter period they had been affected. While the *Fearful* group felt that their recovery strategies were largely expended, the *Resolute* group appeared buoyed to some extent by confidence in their product or service. They felt reassured by the business options available to them (see Section 5.2.2 for detailed discussion). They were also conscious that their competitors were facing similar pressures. Some speculated that taking a few steps to increase efficiency might enable them to 'ride it out':

'You've always got to be optimistic. I think we've been in a bit of a boom the last couple of years. I think we've been very, very lucky. So you've just got to accept that and say, well hang on, we've probably been trading above average. Now if we can just trade average rather than go below, we'll be okay. People that are pessimistic are people that didn't realise they've been trading above average. Suddenly if it drops back to average they're all pessimistic. It balances out long term. It's just a cycle. But I'd say it is going to be pretty tough in the next year by the sound of everything – the talk on the news and the talk around town. It's probably coming in for a pretty tough year, but hopefully you can just get through it because you've got a solid enough business.' [Employer, interviewee, AFS, small, Victoria, stage two]

*'We feel that this downturn is going to send half our competition out of business. Anyone relying upon retail sales rather than supply services in this business [computer industry] is probably doomed. Look at Harvey Norman. Even before these current problems, we always figured that **to increase market share in a static market meant that quite a few opposition organisations had to go out of business. Whereas before we had to drive them out of business and take their clients, now they will fall over all by themselves. We therefore see this as the single greatest chance we will have to gain market share by attrition.** Our largest single operational change has been to hoard cash. [If we] keep the money in the bank and avoid discretionary spending we will be around when the others have gone.'* [Employer, bulletin board participant, ASS, small, Brisbane, stage two]

Employees and job seekers in this segment had also experienced the effects of the slowdown, including some who had lost their employment. Unlike the *Fearful* employees, this group were more confident about their circumstances. The *Resolute* tended to be younger, with higher-level skills, and included those who had been unemployed before. While they were anxious about their current situation, they did not feel disempowered by it and did not view it as long term.

The *Resolute* were most apparent among participants in the Retail and Accommodation and food services industries:

'There's work in any recession if you look for it and are driven. Okay, it might not be your ideal job but one can't be fussy in these times.' [Low-paid, bulletin board participant, 35–49 years, Melbourne, stage two]

'In this current economic climate beggars can't be choosers. You have to do whatever work you can even if it's not what you're looking for.' [Unemployed, bulletin board participant, 26–34 years, Victoria, stage two]

Malcolm*

Malcolm runs a medium-sized 3.5-star hotel in Sydney, employing 30 staff, around half of whom are casual. The business hasn't met budget expectations and the last six months have been unpredictable as a result of the slowdown in tourism. Malcolm claims that all hotels are in a price war with their direct competitors. This has meant that they're now competing with 4-star and 5-star hotels that have reduced their rates. He's implemented a number of changes, including reducing staff hours and cutting all costs. He worries about the next six months, but thinks they'll get through it, as long as they continue to take action. He writes:

'We have been leading towards a crisis for some time. This has been predicted for a while. Most people just weren't aware to what extent. To me it means tough times ahead. It means that more than ever we need to pull together and market our property. With the sales team we need to be innovative to get the public's interest to book accommodation. It also means staying abreast of the issues, knowing your product and your restraints, acknowledging when something cannot be done and also accepting that there are things which are just not within your control. It's how we react at these times that makes a difference.'

[Employer, bulletin board participant, AFS, medium, Sydney, stage two]

* Name changed

Apprehensive

This group of participants believed that the economy was slowing, but were unsure about what this would mean for them personally. Many of these participants had been uncertain about the reality of the downturn a few months prior, and were generally vague about details of the economic environment compared to the *Fearful* or the *Resolute*. In most cases the downturn had not yet affected their daily lives. Nonetheless, influenced by the public mood, these participants appeared to have become more engaged with the topic and more apprehensive about the potential effects on their own situation.

Though '*Apprehensive*', these employers had generally not experienced impacts of the downturn on their business. Concern about its potential effects had prompted them to implement 'protective measures'. Similarly, employees in this segment seemed more conscious of job security and felt less inclined to change employment than in the past. Both employers and employees were trying to 'scale down' their expenditure by limiting non-essential purchases:

'I think it's important for everyone (and I mean everyone!) to have as much knowledge of the environment they work in. When you have inside knowledge it can assist you in maintaining employment. People who go around saying "that's not my job" or "how should I know what he/she does?" are often surprised when the axe falls.' [Low-paid, bulletin board participant, 35–49 years, Melbourne, stage two]

'As much as I hate that job, it is important to me. I'm there for the money. I don't want to jeopardise the possibility of not having a job next year.' [Low-paid, focus group participant, 21–29 years, Melbourne, stage one]

'Spending has changed big time. Dinners out of home have been scratched off to once in every two months. Going out for drinks is the same. If we go away, which is now only once a year, it's usually with our car to a caravan park. Everything is more expensive, so we opt for home-brand stuff where possible and try and bulk buy.' [Low-paid, bulletin board participant, 21–25 years, Adelaide, stage two]

There were *Apprehensive* employers and employees across all industries in the consultations.

Sarah*

Sarah is a manager in a small family-owned and operated biscuit manufacturing and retailing company in South Australia. Compared to last year, sales are down, and Sarah is anxious about what might transpire in the coming months. The biscuits are positioned at the upper end of the market and are therefore more expensive than other brands. This concerns Sarah as she predicts that consumers are less likely to purchase more expensive products when times are tight. As a result, she's planning to revise their marketing strategy, and is also considering cutting staff overtime and implementing a hiring freeze. She's not sure what to expect:

'We don't know how the economy is going to go in South Australia, and in particular our industry. I feel that it will get worse before it will get better and consumer spending will change because of media reaction.'

[Employer, bulletin board participant, Manufacturing, small, Adelaide, stage two]

* Name changed

Optimists

Participants in the '*Optimist*' segment tended to be more positive about the economic situation than those in other groups. Like the *Apprehensive* participants, many *Optimists* had only recently accepted that the Australian economy was slowing. However, unlike the *Apprehensive* participants, they suspected the situation was less severe than commonly reported in the media.

Few *Optimists* had experienced the effects of the economic situation personally, and many worked in industries and areas that had been shielded from the downturn to some extent. For some, the effect of inflation on prices was a more pertinent economic issue. These participants speculated that they might actually benefit from the downturn due to interest rate cuts, falling petrol prices, falling house prices, stock market 'bargains' and government incentives to spend:

'Things are slowing due to the stock market crash, but when one door closes another one opens for us. It's that people are not hiring trades people to do the job. They are now doing it themselves. So for us, business is still booming.' [Employer, bulletin board participant, ASS, small, Sydney, stage two]

'[Finding a job] is very easy but it's really [that] the person needs to try. Like sometimes I'm not bothered to do things and it's not my first priority. I know it sounds silly but it's really the person [because] it's really easy to get a job.' [Unemployed, follow-up interview participant, 21–34 years, Sydney, stage two]

'There are many different jobs around my town which would employ a young female who has successfully completed Year 12.' [Low-paid, bulletin board participant, 15–17 years, South Australia, stage two]

'I know someone who is actually taking out a mortgage now in Townsville. A lot of the big developers are going under because all the credit is falling through and they are selling their house blocks for half price. You get a \$21,500 first-time buyers [grant] if you build and then they are doubling it so you get \$42,000 plus a half-price block.' [Low-paid, focus group participant, 21–29 years, Queensland, stage one]

Optimists did not consider themselves immune from the effects of the slowdown – unlike the '*Unaffected*' segment. Some *Optimist* employers had developed preventative strategies to protect their business 'just in case' (see Section 5.2.2 for detailed discussion).

Annalisa*

Annalisa is a manager in a commercial cleaning business based in Brisbane. Business is growing, and Annalisa is optimistic about the future. She feels that the service is indispensable for business and expects that the company will continue to grow strongly in the coming months despite the slowing economy. She writes '*our economy has slowed a little but I expect a lot of it is just short-term panic.*' [Employer, bulletin board participant, ASS, large, Brisbane, stage two]

* Name changed

Unaffected

While satisfied that the economic downturn was 'real', some employers and employees felt that they were unlikely to be personally affected. This was largely due to the perceived strength of their industry, the resilience of their local economy, the nature of their business offering or their skills and qualifications. Most working in the Health care and social assistance industry did not think that the slowing economy would have an impact on their employment and so were not concerned for their personal circumstances.

Nonetheless, many participants in the *Unaffected* segment showed concern about the plight of others and were grateful that they were relatively 'safe':

'The economic crisis hasn't affected me personally as I don't have any shares or a mortgage or anything. My job, I believe, is secure and I don't see it drastically affecting me in the future.' [Low-paid, bulletin board participant, 35–49 years, Sydney, stage two]

Catherine*

Catherine is the manager of nursing operations at an aged care facility for elderly people with both low- and high-care needs. The facility is performing 'extremely well' with demand for services increasing. While Catherine worries about the impact of the economy on her personal finances and on others, she does not feel that the facility will be affected. As for many businesses in the Health care and social assistance industry, finding and retaining staff is a more pressing concern: *'It's very difficult to recruit registered nurses in aged care.'* [Employer, bulletin board participant, HCaSA, large, Melbourne, stage two]

* Name changed

2.2 Employers and labour costs

While discussions focused on a wide range of business performance issues, attitudes to labour costs and decisions related to managing the wages bill are of particular relevance to the 2009 Minimum Wage Review. This section highlights the importance of labour costs in the wider economic context and the changing employer attitudes and strategies toward labour costs.

2.2.1 Attitudes to labour costs

In consultations conducted for the 2007 and 2008 Minimum Wage Reviews, a key consideration for most employers was control over costs in the business. While business owners reported using a wide range of strategies in times of rising costs – diversifying the business offering, adjusting prices, identifying efficiencies – employment strategies were a common focus. Many employers achieved control of costs through strategic staffing decisions and careful management of their wages bill. For example, some employers managed rosters and roles on-shift to ensure costs were under a set amount. Other employers were more reactive in their staffing decisions. Generally, the higher the proportion of labour costs for the business, the more tightly the wages bill was controlled – through both strong and weakening economic conditions:

'I guess that it comes down to the numbers game ... expenses compared to sales. Staff costs are one of the highest expenses and if any adjustments are needed, that is the area we look at.' [Employer, bulletin board participant, Retail, micro, South Australia, stage one]

'Although there has not been a change in the level of business, I have looked at all the avenues that could be implemented should a downturn eventuate. Staff cutting would be near the top of the list, but not to the detriment of service.' [Employer, bulletin board participant, AFS, small, Perth, stage one]

In previous consultations with employers, the cost of labour was typically addressed in the context of containing this expense. When labour – particularly skilled labour – was in short supply and demand was high, employers needed to manage the wage expectations of employees, and control costs through a range of business strategies. However, in the most recent consultations it was evident that employers were increasingly shifting their focus to offsetting an expected decrease in revenue, or responding to a decrease in revenue, through minimising labour costs:

'We have opted for a more flexible workforce, with a few full-time sales staff being replaced with part-timers and casuals, and roster hours according to sales trends. This has helped us to keep control of expenses in a falling market.' [Employer, bulletin board participant, Retail, small, Queensland, stage one]

'We are not looking for additional staff and will be reducing hours if sales slow. I think we need to be prudent in case work slows during 2009.' [Employer, bulletin board participant, ASS, micro, Adelaide, stage one]

Attitudes to recruitment and retention

When revenue is decreasing, a key factor guiding employers' decisions is whether to focus on retaining their workforce (through accepting a reduction in profit levels), or maintaining profit levels (by making significant reductions to labour costs). Many employers were attempting to balance both these factors, with the long-term viability of the business guiding their decisions.

Overall, consultations conducted in stages two and three revealed that many employers viewed reducing labour costs as the more viable option in the face of declining revenue – whether anticipated or experienced. This was most apparent among employers with high numbers of casual employees, who typically reduced staff hours as a precursor to reducing staff numbers. Generally only the best-performing employees were retained. This was common practice among employers in larger businesses in the Accommodation and food services and Retail industries, where flexibility is a primary consideration for structuring their workforce. Nonetheless, these employers were mindful of the quality of their service, and considered their options carefully:

'Our main considerations are that service standards do not drop and revenue decrease is minimised, by offering broader services or products and having existing staff well-trained in what we are offering. Also when considering having less staff on shift, we make sure we have enough of the right staff to maintain service and speed standards.' [Employer, bulletin board participant, ASS, small, Melbourne, stage two]

Employers in labour markets where it had previously been very difficult to attract employees were more resistant to making adjustments to staffing. They were concerned that high-quality employees with specialist skills would not easily be replaced. This was most evident in the Health care and social assistance, Manufacturing, and Administrative and support services industries. These employers saw greater benefit in retaining staff numbers and allocating available hours across their casual workforce while attempting to boost productivity:

'We want to retain our people because we invest so much time and monies into getting them to a level and standard to operate our business. Our branches are not overstaffed. We have just the right amount of people for each store. And being that our company is debt free, we are willing to do what is necessary to maintain the job security of our people. This is not the first time we have had to weather a financial storm.' [Employer, bulletin board participant, ASS, small, Sydney, stage two]

'[We will] minimise costs of employment and look more at investing in the staff that we currently have. If newcomers are absolutely necessary then they should only be engaged when chargeable work is available.' [Employer, bulletin board participant, ASS, medium, Perth, stage one]

Adjustments to hiring and wage policies were considered less disruptive to the workplace environment for existing employees, and tended to be implemented at the first sign of

revenue loss, or even as a preventative measure, by employers across all industries. These adjustments commonly involved initial hiring freezes on permanent employees in favour of casual or contractual arrangements, or hiring less-costly junior staff rather than adults. Complete hiring freezes often followed:

'The casuals we are hiring are most likely to be juniors to keep wages down to a minimum'. [Employer, bulletin board participant, AFS, small, Adelaide, stage one]

Employers also targeted the wages bill by making more moderate wage increases (either previously scheduled or new increases), beginning with lower proportional increases and progressing to complete suspension of any wage rise:

'We included the new wages costs when considering the annual salary reviews in November 2008 and built the additional cost into the annual pay rises. As we were handing out pay rises anyway, this just made them smaller and effectively cancelled the additional costs. When times were better we treated these as an added bonus. Considering we pay above any awards, we didn't have to pass these on and made sure everyone knew. I doubt we will be passing on any pay rises in the near future.' [Employer, bulletin board participant, ASS, small, Brisbane, stage two]

As stated in Section 2.1.3 Widespread acceptance but varying concern, some employers asserted that their business could actually 'grow' during periods of economic instability (*Optimists*). These employers were taking advantage of the increasing number of job seekers resulting from rising underemployment and unemployment levels. While the new pool of job seekers was assumed to be mostly unskilled, there were some signs that employers who had previously been challenged by skills shortages were now finding it easier to recruit skilled staff:

'... we've always struggled to get cleaners but we've actually had people walking in off the street wanting jobs. So that [issue] has really turned around in that sense ... these are people who have partners that are working, but are not quite sure how secure their partners' jobs are so they've decided that they'll come out and look for some work to just sort of help ... I'd say they weren't interested [in the work] at all before ... to do a few days, a few hours a week. Whereas now, we're actually starting a new person tomorrow, so we've had two start since Christmas.' [Employer, follow-up interviewee, AFS, small, Queensland, stage two]

Narelle*

Narelle oversees a shop-fitting business, employing around 25 people in Brisbane. In November last year she was feeling pretty confident about the future. She knew that a few of the businesses around her were struggling, but her business seemed to be picking up work as a result of this and profits were looking good. She wasn't sure about all the media reports about the 'economic downturn'. The reports were not reflecting her experience and she didn't really know what to think about it all.

In February, Narelle was starting to take a bit more notice. The sales reps they dealt with were full of stories about their competitors finding it difficult and some had gone out of business altogether. While her business had work booked for the next six months, she wasn't sure what would happen after that. Narelle said she felt a bit nervous:

'It's all a little scary but I don't – some of it can be scary. I don't think it's quite as bad as what some of the media reports you hear, but on the other token it's got to be taken seriously.'

She was also concerned about what it meant for her personally, and was trying to curb spending wherever she could. As far as the business was concerned, she continually tried to increase efficiencies – but that was just what she was paid to do.

In April, sales had increased significantly and Narelle was feeling a lot more confident. The staff were 'rushed off their feet' – so much so she'd just employed four new starters. Although she believed that the economy was slowing, she found it hard to understand why other businesses in her industry were faring so badly. To some extent she attributed it to poor management. However, Narelle was making the most of her competitors going under, taking on their skilled staff. They'd found it so difficult in the past to get good staff, so she felt it was a positive outcome for the business. [Employer, bulletin board participant and follow-up interviews, medium, Brisbane, stages one – three]

* Name changed

2.2.2 Business adjustment variables: labour costs in context

Declining revenue levels were reportedly being offset through a number of strategies. The level of staffing emerged as a more commonly adjusted expense than observed in consultations conducted in 2007 and 2008. This was due to greater concern about revenue, but also because the viability of adjusting other variables in the current economic climate – particularly **pricing** – was questioned. While not all employers indicated they had felt compelled to make 'operational changes' as a direct result of the downturn, many employers had reduced staffing levels through their regular practices in response to declining demand. Many other employers currently in a preparatory mode indicated that adjustments to staffing would be implemented should the downturn continue:

'We don't have anything to reduce. We have run at a loss for the last two years. We were overstaffed and kept people on longer than we should have, hoping for work to come in. We made as much finished stock as we could while we waited for something to change and when we were fully stocked, unfortunately casuals had to go.' [Employer, bulletin board participant, Manufacturing, small, Perth, stage two]

'I have dropped the hours of casuals and given more responsibility to front office staff. We have also done a weekly analysis and stocktake of linen and staffing costs. This has resulted in some savings, which have not affected our service to our guests. The main reason these were implemented was to make savings. I need to show that even though we have not reached budget expectations, we have implemented ways to improve our GOP [gross operating profit].' [Employer, bulletin board participant, AFS, medium, Sydney, stage two]

Controlling the wages bill was typically achieved through actions such as:

- Allocating hours according to indicators of revenue – generally this applied to employers who had sought flexibility in their workforce through a high proportion of casual, non-ongoing staff:

'[The] main change was reducing the rostered hours for casuals and reducing [the] number of sales staff on the floor. This achieved the scenario where our wage bill went down as sales declined due to the economic situation. Therefore, we stayed profitable and are in a good position to roster on more staff should the need arise.' [Employer, bulletin board participant, Retail, small, Queensland, stage one]

- Adjusting hours of operation – this applied to businesses with long opening hours, where staff were paid overtime and/or penalty rates:

'I'm looking to close our restaurant for at least a lunch shift next year [2009]. Our chefs already do 50 hours a week over split shifts. That would cut back on overtime rates that we're currently paying out.' [Employer, bulletin board participant, AFS, medium, Adelaide, stage one]

- Looking for productivity increases from permanent staff – reducing the need for casual staff paid at a higher rate:

'There has been a decrease in staff on duty, with more pressure applied to managers to complete tasks and to stay longer to complete them. We are trying to keep casual staff only for their necessary two hours a shift ... so [I] had to send them home early. On the weekend it was almost all full-timers on a Sunday.' [Employer, bulletin board participant, AFS, small, Adelaide, stage one]

While some employers in particularly difficult circumstances were deferring or reducing the size of planned wage increases, no employers spontaneously mentioned decreasing pay rates as an option for addressing labour costs. Only employers with higher-paid salaried staff or those paying above the relevant minimum rates were in a position to consider this option. The few employers who had contemplated this adjustment felt that the process would have to be handled very carefully to avoid any negative effects on staff morale:

'I don't think I'd actually put it to them. I think I'd just bring up the whole issue [of declining revenue] and see what they came up with – try and let it come out of the group. I think pay reduction is something that would really need to come from everyone. It would need to be a member of staff bringing it up and other people going "oh, yeah, if we had to, then okay". We would have to say how long would this be for and we'll work it through together. I'd like to think it would be considered, but if it was going to happen it would need to come from staff.' [Employer, interviewee, ASS, Small, Melbourne, stage two]

Compared with other adjustment variables being considered and implemented, employers seemed particularly apprehensive about raising this option with their staff. They seemed more prepared to cut hours or even make redundancies rather than reduce pay rates, particularly rates negotiated with their more highly valued staff.

Consultations in stages two and three focused on exploring the factors that influence employer attitudes to implementing specific measures, including adjustments to labour. The consultations confirmed that decisions about labour (recruitment and retention) are made in the context of local markets and existing workplace relations arrangements. These decisions are also influenced by the individual approach and circumstances of the business operator. A number of factors have a bearing on employers' decisions about labour, including:

- *The proportion of operating expenses that labour costs comprise.* Where labour costs form a relatively small proportion of operating expenses then cost-cutting measures that do not involve adjustments to staffing can have a large impact. However, where labour costs form a large proportion of total costs for the business then reductions to these costs have a significant effect, while cost cutting in other areas may not.

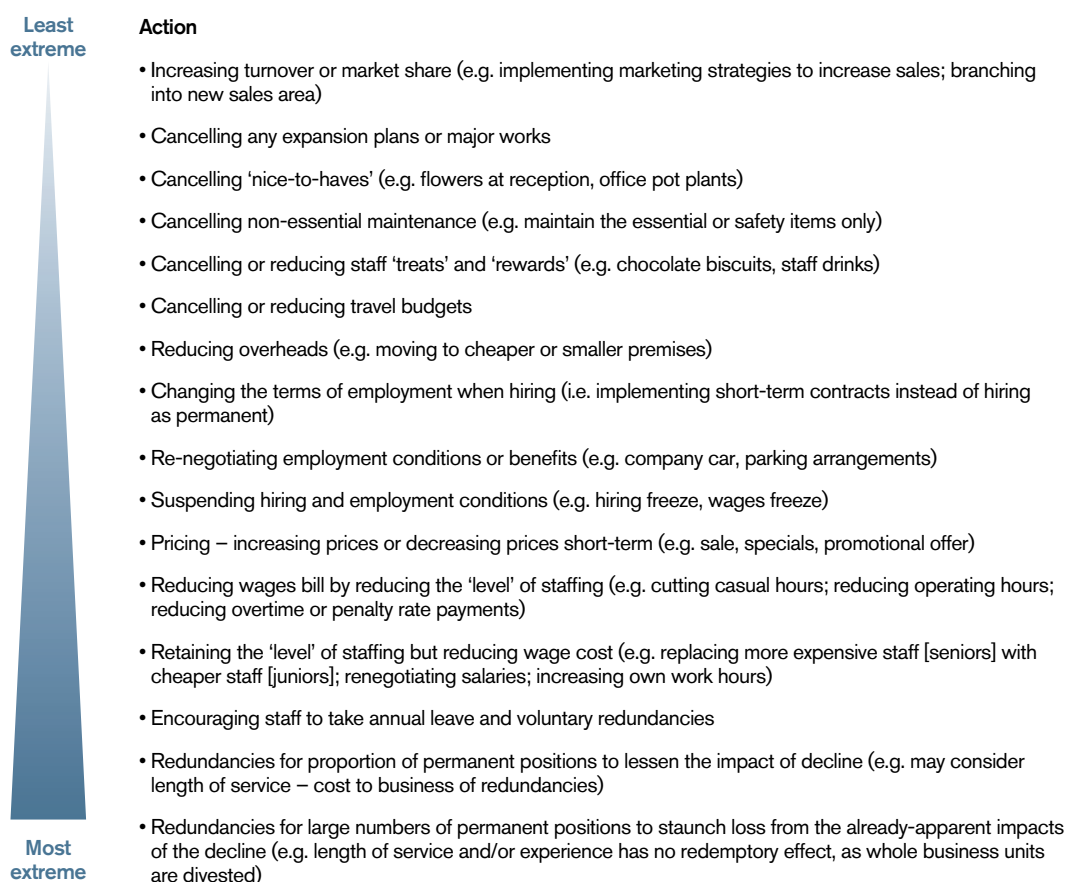
- The *performance of the market in which the business operates* impacts the viability of non-labour-related adjustments, for example, marketing efforts or price adjustments.
- The *nature of staff working arrangements, and the ease with which they can be altered*. The flexibility of working arrangements determines the ease with which labour adjustments can be made.
- The *state of the labour market for staffing requirements*, which affects the perceived value of making adjustments to staffing, for instance, the extent to which employers have been affected by skills shortages during prosperous periods.
- *Relationships with staff and importance of workplace environment*, which also have a bearing on an employer's inclination to make staffing adjustments.

The course of action taken by employers varies, and not all employers follow a similar path when making business adjustments. The viability and impact of implementing different measures clearly differs for individual businesses.

Despite the differences in implementation (that is, what a business owner does, and when), there was some broad consistency in the **perceived 'severity'** of different variables and **the triggers or 'tipping points'** that prompted employers to make adjustment decisions, including those related to staffing.

Figure 5 broadly depicts the relative significance of specific actions as perceived by employers in the consultations. For example, employers agreed that making permanent positions redundant was a severe action, relative to less-severe strategies placed toward the tip of the continuum.

Figure 5: Perceived severity of actions (adjustment variables): least extreme to most extreme



As illustrated in the following examples, employers' actions were often implemented through a staged approach:

'As soon as we got back from our Christmas break in early January, we held a meeting with all staff. We all came up with ideas and actioned all cost cuts at the same time. The end of January was when the owner decided to make the redundancies and of course he actioned those individually and gave the appropriate notice. Out of the three redundancies, two of those employees wished to stay on in similar, but part-time, roles. The third is [now] working as a consultant for us as well as running his own business.' [Employer, bulletin board participant, Retail, small, Melbourne, stage two]

'We've done a [number] of stages. Initially we held off any non-essential maintenance or capital expenditure. Up until probably about November we were still sort of spending, but when we did the 2009 budget – we operate on a calendar year, not a financial year – we basically pulled anything that didn't have to be done. Any projects that were in the works we've still continued, but we haven't started anything new. So that was our first stage.

After that we've put all of our new hires on six-month contracts so any staff members who maybe change position, that's okay, we still keep them on. But if someone quits and someone else takes their role, it's a replacement role. So that's [the] next stage.

If things go really bad we have in the pipeline to freeze the next wage increase. That's written into our workplace agreement and if we do that we'll do that across the board. So even for staff members who aren't under the workplace agreement – which is basically

the head office staff and then the CEO – we're going to just freeze everyone's wage increase so that we make it completely fair and transparent. Our final stage before any sort of forced redundancies or involuntary redundancies would be to take a one per cent pay cut, and that again will be from the CEO down.' [Employer, interviewee, AFS, large, Sydney, stage two]

The main triggers for action (tipping points) were observed to be:

- media coverage and public opinion (mood), which influenced general caution in business strategy, such as hiring decisions or preventive measures (including some cut-backs in hours worked);
- anecdotal evidence – reports of other neighbouring businesses, or friends or family;
- observational evidence – observing slower customer 'traffic', fewer walk-ins or bookings; and
- business performance:
 - recorded decline in revenue
 - recorded decline in profit
 - significant loss.

The relationship between triggers and actions is varied and may include many triggers associated with many actions (rather than one-to-one relationships). However, the more severe triggers, such as significant loss or reported declines in revenue or profit, were generally associated with the more severe actions. These include multiple strategies and significant staffing decisions such as making redundancies. Other general observations are outlined below:

- The use of preventative measures, such as changes in pricing strategies or marketing to increase revenue, were observed to be more prevalent in stage two and three consultations. This was said to be changing the nature of competition for some businesses. Many employers who had not experienced any effect of the downturn had revised their marketing strategies to boost revenue. Likewise, limiting non-essential costs was viewed as prudent and many employers were attempting to do this, regardless of current performance.
- Anecdotal reports about struggling businesses in the same industry frequently acted as a trigger to more serious cost cutting. The nature of this varied according to industry. Observation of slower sales or fewer 'walk-ins' often encouraged more formalised changes in operational policy, including implementation of hiring freezes, not paying overtime, or suspending wage rises. More explicit declines in revenue prompted changes to staffing such as reductions in hours. Increasing losses triggered staff retrenchment.

Importantly, many employers in stages two and three seemed particularly sensitive to indicators of business performance, effectively lowering the threshold above which they considered it prudent to take action. Even participants who were not personally feeling the effects of the downturn were sufficiently motivated to implement precautionary measures to protect their business. Many employers were no longer choosing to 'wait and see', as was commonly observed in stage one consultations.

Similarly, many employers seemed willing to take action in response to signs of decline, but not so willing to take action in response to signs of improvement, reflecting the underlying 'wariness' of employers about economic conditions. That is, there was a sense

of reluctance to reverse changes implemented either to prevent or to lessen the effects of the downturn, in case the situation changed again.

For example, several employers interviewed in stage three reported an upturn in sales in March and early in April which they attributed to government incentives such as the education allowance for students, the tax benefits for small businesses, and the cash payouts. The increased sales during this period were largely seen as artificial and not reflective of genuine business improvement. Many of these employers expected sales to slow again in coming months and were therefore hesitant to reverse the operational changes they had implemented when performance was poorer:

'All of a sudden the government comes along and goes: "Oh, we're going to have \$43 billion for small business and do this and do that". And sure enough, these tax breaks turned up. As I said, that appears to be basically it at the moment. Without that, I don't think we'd be in business.' [Employer, follow-up interview, ASS, small, Brisbane, stage three]

A number of employers had not taken action to manage labour costs as they had not experienced a decline to date. Other employers had taken action in many or all of these areas. Employers who had experienced greater impacts on business performance as a result of the current economic situation had immediately moved to more severe measures. Section 5.2.2 Business responses and strategies, contains a more detailed discussion of employer responses to increases in wages in the context of the economic downturn. For some employers the implementation of the most recent change in wages occurred simultaneously with a downturn in revenue. For these employers, more severe adjustments were required:

'We already run our expenses quite tight as business has been slow for two years now. With our rent going up 78 per cent in November we had nothing more we could cut, as this chews up anything we were already saving in other areas. Then when one of our major projects was put off late last year we had no alternative but to let any unusable staff go.' [Employer, bulletin board participant, Manufacturing, small, Perth, stage two]

2.2.3 Outlook for 2009: employers

While it is debated precisely how predictive business confidence measures can be in forecasting economic performance,¹ confidence about the future remains an important variable for consideration when examining employer behaviour. Confidence is derived from a range of influences, including perceptions and general outlook, as well as more tangible evidence that business owners gather from their operations. This research provides significant evidence of the lived experience from which to gauge the tangible impacts on business. It also provides insights into the psyche of business operators and their general outlook as 2009 progresses.

The emerging decline in business confidence noted in stage one consultations appears to have accelerated in the first three months of 2009. By stage two, employers were certain the downturn would continue and expressed concern about the impact on their businesses. For most employers, expectations of growth and/or profitability had been revised down. Stability and viability had become the primary objective, and 'good performance' was increasingly a matter of being able to 'make it through' uncertain conditions:

¹ For example, I Roberts and J Simon, 'What do sentiment surveys measure?' RBA Research Discussion Paper No. 2001-09, <http://www.rba.gov.au/PublicationsAndResearch/RDP/RDP2001-09.htm>

'Within six months we will have laid off 25 per cent of our staff. With the rest of the world going down the sinkhole I cannot see Australia being immune, and [I] fully expect business conditions to deteriorate rapidly.' [Employer, Bulletin board participant, ASS, small, Brisbane, stage two]

Nonetheless, sentiment and the degree of vulnerability continued to vary across industries and local economies. Participants in the Accommodation and food services and Retail industries were being significantly impacted by the downturn, while employers in Administrative and support services and Manufacturing were also beginning to feel the effects.

Business indicators and triggers for changing confidence

Shifting public mood about the economic downturn appeared to strongly influence the outlook of many employers. For example, some participants who were not experiencing negative impacts of the slowdown had become more apprehensive about the future than previously observed.

There were numerous indicators of business performance that triggered changed confidence levels, and consequently altered the outlook of participants, including:

- Anecdotal feedback about the industry and/or local economy, such as reports of competitors struggling. This was often viewed in the context of media reports that reinforced the view that their industry and/or local economy was slowing.
- Observation of slowdown, such as seeing slower sales or occupancies, or fewer 'walk-ins'.
- Recorded decline in performance, from explicit decline in revenue and/or profit, to significantly greater losses than expected.

'[We] look at stock movement. Is it staying the same or slowing? How much are customers spending – are they spending \$30 now instead of \$50?' [Employer, bulletin board participant, Retail, micro, Queensland, stage one]

'For us, the revenue versus expenditure figures tell the story. We do take into account the other things, but rely heavily on our own experience.' [Employer, bulletin board participant, AFS, small, Queensland, stage one]

The three stages of research highlighted how quickly employer confidence is changing as economic conditions evolve. There were several examples of employers moving between attitudinal segments (outlined in Section 2.1.3 Widespread acceptance but varying concern) in accordance with varying signs of improving or declining business performance.

Employers planned to continue tracking their own business performance and to make comparisons to performance during periods of weaker economic conditions in previous years. They also intended to factor in key indicators of local economy performance, comments from other business owners and managers, as well as media financial reports (which provide a national and international perspective):

'Business to date is generally tracking the same as last year.' [Employer, bulletin board participant, ASS, micro, Adelaide, stage one]

'Retail is very hard at the moment. Most small business owners are struggling to make ends meet. Talking to one particular business owner who has had her own florist for 15 years, this last year has been half her normal takings.' [Employer, bulletin board participant, Retail, small, Tasmania, stage one]

'According to feedback from our suppliers' reps our industry is all over the place. Some businesses are doing well and others poorly, and I have recently employed three guys from a local competitor that could not afford to keep them.' [Employer, bulletin board participant, Manufacturing, medium, Brisbane, stage one]

Chris*

Chris and his father own a business selling and servicing cars and car parts in Queensland, and employ around 90 to 100 staff. In November 2008, sales had fallen by 8 per cent on what they were in 2007. This made Chris and his father slightly nervous. They had been reading about the downturn in the car industry, so they decided to put a freeze on hiring and cut their prices moderately. They remained confident about getting through the downturn without having to make staff cuts and felt lucky to have secure finance arrangements – unlike the 30–40 per cent of dealerships financed by GE or GMAC which were facing the challenge of securing finance arrangements elsewhere.

By February, sales levels were comparable, however, profit was down by 10 per cent, and bookings had slowed. Chris said that there were a number of dealers in the area who were selling cars for 'next to nothing' which was affecting his sales levels, but the service side of the business seemed to be performing better.

In March, sales increased significantly. For used cars, it was their second-best month ever. Chris put this down to the low price of cars, as well as government incentives for small businesses to keep spending money. The business sold a lot of commercial vehicles, and quite a few of the buyers mentioned the 30 per cent tax break. He's taken advantage of it, too – deciding to buy a car-washing machine, which was expensive, but good value given the tax break.

By April, sales had fallen again by 10 per cent. Chris attributed this to all the 'doom and gloom' being reported. He was concerned about the economy, but was increasingly frustrated that people continue 'talking it down' and believes this just makes people more nervous so they are less inclined to spend money.

Chris is trying not to let the downturn affect his staff too much. He's making an effort to reassure them about their job security. Attracting and retaining staff has been a constant challenge because people don't seem to want to commute to where his business is located. He's committed to getting through the downturn without cutting back on staff, as, when things improve, it would be too difficult to find the skilled staff the business needs again.

Instead, he has implemented several strategies. He saw an opportunity to buy stock at a lower price and will sell them when the prices increase. It was a lot of money, but he thinks it will pay off. The business is now selling a cheaper overseas brand, which he believes will appeal to people in this market. They've had a notable increase in sales of smaller, cheaper vehicles, and a drop in demand for four-wheel drives. They're also conscious of avoiding high-end vehicles for their used car stock.

Chris is being careful about spending in other ways. He's decided to put a hold on wage increases. He gave a \$10 increase at the end of 2008, and as he pays most staff above the relevant minimum levels, will not be implementing an increase in 2009. He has also encouraged staff to take their annual leave during quieter periods, and is ensuring the apprentices use this time to catch up on their college work.

Overall, Chris thinks the tax breaks will sustain the business until the end of this financial year. He believes that July to September will be tougher, but that sales will start to pick up again towards the end of the year. He thinks the outlook for the motor industry in America seems to be improving, so that makes him more confident about the year ahead. In the meantime, a lot of the salespeople are planning holidays. Chris is thinking about advertising more and offering some discounts on services. They will slowly wind their stock down too. Overall, Chris feels confident about the future. [Employer, interviewee, Manufacturing, and Retail, large, Queensland, stages one to three]

* Name changed

Tina*

Tina runs two gift shops in regional Queensland selling licensed products and merchandise. She employs a total of five staff – a sales manager who works part-time and four casuals.

At the end of 2008, the business was maintaining sales and she expected that they'd equal the 48 per cent profit made last year. She felt that the media exaggerated the economic situation slightly, though she did get a sense that the retail industry was slowing. She was relieved that her stores hadn't been more strongly affected:

'I seem to be one of the luckier ones as my business isn't doing too bad at the moment. We have a lot of industry in our town so I feel that that helps. I do have to say, though, we haven't had any growth – we are running on a par with last year.'

Despite the consistent sales, Tina had made a few operational adjustments, just in case the situation declined. She had postponed plans to refurbish the stores, was being careful not to over-order stock, and was not hiring. The October 2008 wage increases hadn't helped either. Tina decided to put one of her casual staff on permanent part-time as it was too expensive to keep her on casual rates, as she wanted to hang onto her. Overall, at this point Tina felt quite confident about the future. She was reassured by the good reputation and high quality products of her business, and thought that the changes she had made would be enough to see them through any downturn.

In April, however, Rio Tinto cut some 600 jobs in the town, which dramatically changed the situation for Tina. Sales dropped and she was feeling quite worried. She decided to cut the hours of casual staff and avoid giving the part-timer any extra hours. The business is too small to lay anyone off, but she's watching her costs very intently, even cutting back on advertising.

Although Tina thinks there are enough industries around to sustain the town in the coming months, she thinks it will be tough. Rental is still high, and she expects employment levels to drop significantly. She describes the area as traditionally being a 'boom and bust' town. A lot of the men will have to travel five hours to the construction towns to find work during the week. A lot of her friends think that they're going to lose their businesses. She said: *'I don't feel my business is that shaky that that would happen, but, yeah, you just don't know, I suppose.'* [Employer, bulletin board participant, Retail, micro, Queensland, stages two and three]

* Name changed

3. Capacity to obtain and remain in employment

Key findings

- In stage one there were signs of a changing labour market with discussion of increased competitiveness emerging.
- By stage two, many participants described an *employers' market*, relative to the buoyant labour market described in February 2008.
- Results varied by location and industry. While demand for labour remained high in some markets in 2008, by 2009 this was observed to be diminishing, with increased reports of lessening demand in previous 'boom' markets (such as Queensland and Western Australia).
- There was increased evidence of underemployment – particularly for casual workers – and related competitiveness in the labour market. There were many anecdotes of reduction in hours and also workers previously employed in white-collar positions having moved into lower-skilled (entry-level) jobs.
- The desire for, and reliance on, penalty rates, casual loading and overtime pay observed in 2007 and 2008 consultations was still evident. However, compared with previous consultations, job security emerged as a more important issue for some employees by stage two consultations. Permanency had also increased in appeal over any benefits of casual arrangements.
- Despite the changing economic conditions, there was little change observed in the factors that influenced decisions to work. However, by stage two some participants were 'trading-down' and considering jobs that they had previously deemed undesirable. Those currently employed were conscious of being productive in order to retain their employment.
- The attitudes of younger and more highly skilled job seekers in stage two had changed markedly compared to stage one. There was greater realisation of the competitive nature of the labour market and limited job choice.
- The barriers to entry into the workforce remain substantial and real for many job seekers regardless of economic conditions, particularly among the older and lower-skilled participants.

3.1 A changing labour market: employee or employer market?

In consultations conducted for the 2007 and 2008 Minimum Wage Reviews, employers reported struggling to attract suitable staff in the tight labour market. Many felt they were at the mercy of unreliable workers. Many employees, on the other hand, reported feeling empowered to choose jobs on their own terms. Job security was rarely of significant concern in buoyant local economies. In stage one of the 2009 Minimum Wage Review consultations, evidence of a changing labour market was emerging, with a number of participants citing both perceptions and actual experiences of changing labour market dynamics. By stage two such claims were increasingly common:

'I think that I will still be affected [in] coming months 'cause I am looking for work, and I think it will only get harder. I think that finding work at the moment is hard, especially with

the way the economy is right now. A lot of employers are laying people off, not hiring. There are less jobs available now than there were a while ago. And the jobs that are available seem to be looking for people with experience.' [Unemployed, bulletin board participant, 26–34 years, Sydney, stage two]

'I would feel very uneasy because of the current economic situation. Most people are losing jobs; only a few are getting them. So obviously, then, employers would only be hiring the best of the best.' [Low-paid, bulletin board participant, 26–34 years, Sydney, stage two]

'People are handing in their résumés at my work and we just don't have any jobs for them. I think it would be very difficult to find employment at the moment. I'm not too sure what types of jobs there would be available at the moment, though there are always jobs available in certain fields. They generally require experience or further education and qualifications, though.' [Low-paid, bulletin board participant, 21–25 years, Brisbane, stage two]

In the face of declining revenue, staffing was a common target for employers, particularly in industries with high numbers of casual staff. There were numerous examples of employers reducing hours, prioritising casuals or junior staff over seniors, implementing hiring freezes or making redundancies in an effort to save costs and protect the business.

By stage two of the consultations, employers, employees and job seekers had all started to notice the effect of these changes. Employers reported receiving increasing numbers of unprompted applications for employment. Job seekers recounted facing extensive competition for jobs, delayed responses to applications, and difficulty in even progressing to an interview stage. Many employees had experienced a reduction in their working hours. In stage one, these incidents were most often reported in areas with already high levels of unemployment (for example, the western suburbs of Sydney). However, these reports appeared to be widespread by stage two.

By stage two, employers' feelings of control over recruitment decisions had been restored to some extent. Employers viewed this positively, indicating that lessening demand would make more skilled workers available and restore their capacity to find appropriate, reliable employees. While some had found this to be the case, others, particularly those in the Manufacturing, Administrative and support services, and Health care and social assistance industries, maintained that the increased pool of job seekers tended to be unskilled and unsuited to many types of work. Coming off a tight labour market period in which employers had struggled to recruit suitable staff, many employers found it hard to believe that the dynamics had changed so quickly:

'For those people who don't have a defined skills set or no qualifications, I believe it is very much an employers' market. I don't believe the demand for non-skilled labour is as high as what it has been in the past, especially with a downturn in mining jobs and closure in production industries like Bonds clothing. For qualified people or tradespeople, there is a feeling that it is more of an employees' market. Skilled or qualified employees are generally harder to find because they aren't out looking for work.' [Employer, bulletin board participant, Manufacturing, large, South Australia, stage two]

'I see it as an employers' market. The industry I am in has previously been known to attract less-skilled workers. Since the market has changed I am starting to notice better quality workers coming through.' [Employer, bulletin board participant, ASS, large, Brisbane, stage two]

A change in attitude was also noted among employees. Many employers felt that employees were showing greater concern about job security and, in some cases, greater commitment and reliability than in the past:

'People are worried about their job security. This never used to be the case. Most staff have been here for years and would have felt very secure. The recent events have them rightfully considering the possibilities of losing their job sometime in the not-too-distant future. The atmosphere at work has gathered a slightly tense edge. There are no financial reasons for their immediate concern, but these are intelligent people and it doesn't take too many brains to see what's coming no matter how much management tries to hype things along. Working at the coal front it's obvious work volume is down,' [Employer, bulletin board participant, ASS, small, Brisbane, stage two]

'We have noticed a level of uncertainty and a need for reassurance to our team. Productivity is high because everyone is doing all they can to keep their positions and hours. We have held meetings and found that an open and honest level of communication between head office and the store teams is vital.' [Employer, bulletin board participant, Retail, small, Melbourne, stage two]

Stage two and three of the consultations also revealed markedly changed perspectives on employment among employees and job seekers. While in stage one job security was not an overt concern, by stage two many employees were anxious about their employment status and apprehensive about finding work in the current labour market. Similarly, there was a sense that job seekers were not being as selective in their employment searches as they had been in the past. They were seemingly more willing to accept jobs that did not meet their original expectations in terms of role, pay and/or conditions:

'I only realised they were retrenching staff from my department when I came back from my holiday ... I was in shock more than anything else ... I haven't been out much and couldn't afford to pay my rent. [I] have to move to my parents' house next week and live with my three brothers. [I] feel frustrated ... It is very hard to get a qualification job during the recession. In the meantime I will take up any labour job that pays me well.' [Unemployed, bulletin board participant, 21–25 years, Perth, stage two]

'Well, I think we all worry about this [economic downturn]. I know the company I work for are already tightening their purse strings and when they start cost-cutting, it usually means cutting back hours – no overtime, loss of jobs, etc. Everywhere they can cut costs, they will. So if this happens it means that our future is not so secure and it will affect me and my family as we depend on my wages.' [Low-paid, bulletin board participant, 50–60 years, New South Wales, stage two]

'... the pendulum is swinging the other way. Previously there were more jobs than tradesmen, but now with the people from the mines coming back there's going to be more tradesmen than jobs.' [Low-paid, focus group participant, 30–44 years, Perth, stage two]

Significantly, it was not only the typically more vulnerable groups of employees and job seekers (older people and people with ill health) who expressed concern about the labour market. Stage two and three consultations revealed that younger participants were more apprehensive about their employability. Job security had emerged as a key consideration for many participants:

'I don't feel secure enough about this job. My employer has cut working hours and the number of workers a day ... I would have requested stable working hours instead of increased pay rate.' [Low-paid, bulletin board participant, 21–25 years, Perth, stage two]

Sally*

Sally is 19 years old and has recently moved out of home. Her current motivation to work is to provide an income to support herself. She plans to go to university and to obtain a 'career' job upon graduation.

In stage two of the consultation program, Sally had a casual job in a café. The café was up for sale which she believed was a result of the downturn, and she felt insecure about the future of her employment there. This insecurity had prompted her to start looking for jobs elsewhere. It also meant that she was less likely to ask for a pay rise. Sally's motivation to find a new job was not entirely born out of insecurity: she wasn't receiving as many hours as she wanted and the location was inconvenient for her:

'I do worry about my current employment situation and the thought has arisen that I may not be able to hold my employment for a prolonged period of time.'

In stage two Sally was feeling optimistic about her chances of finding suitable employment. She lives in a highly populated area and felt that she possessed skills that would be valuable in both hospitality and pharmacy roles.

When interviewed in stage three, Sally indicated that her job search had been more difficult than expected. She spent over a month looking for work and had revised her selection criteria to include jobs in retail as well as (more desirable) hospitality work. She handed out résumés anywhere she felt there was a possibility of work but found that many employers were not hiring, and that those who were hiring were receiving high numbers of applications.

Sally eventually found a new job in a café and is far happier in her current employment than she was in her previous job, as it's in a more convenient location and she is happier with the hours she has been given. Even so, her experiences have led Sally to see the relevance of the downturn to her own life. It had made her think more about job security, and she is now more conscious of saving. [Low-paid, bulletin board participant and follow-up interview, 18–20 years, Sydney, stages two and three]

* Name changed

Among Indigenous participants, there was no shift in dynamics observed from an employee's to an employer's market. These employees generally described an employer-driven market but did not indicate this was linked to changing economic conditions in Australia, rather, that this had been the case prior to the global economic crisis. It was asserted in the discussions that employers generally dictate pay rates and employment conditions, and employees essentially have little say. Conditions (e.g. flexibility of hours, ancillary benefits) were often not regarded as major factors for obtaining or retaining employment for these participants. Simply having a job – any job – and sourcing their income through working in order to 'pay the bills' was the primary concern of these employees, rather than relying on allowances.

3.2 Attitudes to employment and unemployment

There was little change in the factors influencing decisions to work compared with findings from the 2007 and 2008 consultations. As in previous research, a majority of participants viewed work as an important and/or positive part of their life and there was diversity of opinion about why work was important.

In stage one consultations, the current economic climate was rarely mentioned by employees when they spoke about their decisions to work and working arrangements. Those who did speak about it tended to have personally experienced changes to their hours or employment status. Job security (income security) was not generally among the most significant factors people considered when talking about their current employment or in their job-seeking behaviours:

'I don't really know that much about it. But if you just keep working the money should keep coming in. So I think it's probably best to just keep on working.' [Low-paid, bulletin board participant, 16–18 years, Perth, stage one]

'He's [my boss] openly said to both of us that we should be looking for work. So I've started looking again in the last month or so.' [Low-paid, focus group participant, 45+ years, Melbourne, stage one]

'I'd probably say my age is against me now. And I think definitely in this economy it's not going to happen.' [Unemployed, focus group participant, 35+ years, Melbourne, stage one]

By stage two, more people were working (or looking for work) out of financial necessity rather than to meet higher-level needs and wants as was often expressed in past consultations. A few unemployed participants stated that they were prepared to accept the first job offered to them. A few older participants were planning to work longer or had accepted more hours as a result of diminishing savings:

'I had set things up to be able to retire last June and perhaps just have a small job, or a small part-time business of a fairly passive nature. The global financial crisis put an end to that plan. So until things return to some sort of normal level, my husband and I have had to find some paid employment to meet our daily living costs. We are not eligible for any kind of social security at this stage.' [Low-paid, bulletin board participant, 50–60 years, Perth, stage two]

'[I want work] because I have bugger-all cash and I'm really worried that Centrelink are going to reject my claim.' [Unemployed, bulletin board participant, 34–49 years, Melbourne, stage two]

The stage two consultations revealed a distinct change in attitudes towards obtaining and retaining different types of employment. While this shift was not universal, many employees, young and old, high skilled and low skilled, emphasised the importance of 'hanging on' to jobs in the face of increasingly difficult labour market conditions. This had prompted some to work harder or become more amenable to their employer's demands in an attempt to appear indispensable:

'I now know that a lot of the others are starting to complain about their hours and conditions. So as long as I'm reliable and accept what is given to me my job should be secure. The boss has actually said to me that many people are not accepting shifts and changing their availability. So if I am consistent I should be safe.' [Low-paid, bulletin board participant, 50–60 years, New South Wales, stage two]

Between stage one and stages two and three, the attitudes of younger and higher-skilled job seekers changed markedly. Previously, many regarded mobility between work and unemployment as a lifestyle 'choice' underpinned by the belief that 'good' work was easy to obtain and retain. Low-paid employment was often seen as a stepping stone to more desirable 'career' jobs. In stage two this attitude had been replaced by a growing apprehension about the availability of desirable jobs. Some participants had broadened their job search considerably. A small number of participants were considering studying or retraining to enhance their employability:

'I am also very concerned about my job prospects when I graduate. When I first started my course at uni a few years ago, graduates from my chosen field were in high demand. I'm very worried now that with the current economic crisis my field will be considered an unnecessary area that people don't want to spend money on, and I won't be able to find employment.' [Low-paid, bulletin board participant, 21–25 years, Brisbane, stage two]

'I would consider a TAFE course to move myself out of the unskilled sector. University didn't work for me. An apprenticeship or traineeship would also provide me with some skills that might make employers look at me above people without prior training.' [Junior, bulletin board participant, 18–20, Queensland, stage two]

Lower-skilled or older participants have generally expressed a relatively high level of concern about job security and lower confidence in their employability. Although apprehension about the economic situation served to intensify their anxiety about finding and maintaining work, these participants were already feeling insecure in the workforce prior to recent changes. The situation therefore made them feel more despondent and, to some extent, more defeatist about their circumstances. Many believed their best chances lay in jobs for which they could demonstrate prior experience, irrespective of the perceived availability of work in that area. Job search endeavours were similar to that reported in previous consultations. In stage two some 'expanded' methods were reported, including 'cold calling' or registering with an agency:

'I think the only way is looking for employment in areas you have experience in. There are agencies available but they are looking out for the same thing ... it would be impossible if you haven't any experience in that line of work. Employers know it's difficult now so [they] will attempt to employ the most qualified.' [Low-paid, bulletin board participant, 35–49 years, Sydney, stage two]

Despite these observed changes, some participants retained a 'business-as-usual' approach to employment and job seeking. These tended to be the *Unaffected* and the *Optimists* described in Section 2.1.3 Widespread acceptance but varying concern. Many of these participants did not feel the economic downturn was relevant to them or felt that the affects would be short-lived:

'I haven't looked for a job in my life, ever, really. I was a stay-at-home mum for years. Then when I was ready to return to work, I contacted 123Careers and I was hired after a brief interview. I love my job so keeping it is no trouble at all. I love what I do and do it the best I can. I haven't noticed any changes in the workforce at the moment.' [Low-paid, bulletin board participant, 26–34 years, Brisbane, stage two]

'When I am applying for a job, my lifestyle is often factored in greatly. I like having the freedom to travel and take leave if I want/need to. Income helps, but to me, it's not everything. I like doing things that I am happy doing so I can look at myself in the mirror without feeling ashamed. I think that if you are crossing lines you never wanted to, it's time to reconsider your employment.' [Low-paid, bulletin board participant, 21–25 years, Perth, stage two]

3.3 Work patterns and arrangements

The diversity of work patterns and arrangements experienced by participants reflected the wide range of locations, industries and age groups from which participants were drawn. Preferences for particular work patterns varied considerably.

In stage one consultations, attitudes to casual work and other employment arrangements appeared to be largely unchanged from those observed in 2007 and 2008 consultations. There was, however, a notable shift in attitudes to employment arrangements in stages two and three. Permanent work, which offers a greater degree of security, had become considerably more desirable (see Section 3.5.1 Job security, for detailed discussion):

'Permanent would be nice but [I'm] willing to work casual. Security is important to me as it is the only way to survive in the modern era.' [Low-paid, bulletin board participant, 35–49 years, Sydney, stage two]

Changes to work arrangements (including hours, casual rates, overtime) were commonly reported adjustment strategies for employers. Stage two consultations revealed notably more evidence from employees to support anecdotes from employers that changes to labour costs and work arrangements were being used to maintain business viability in a slowing economy. Many employees reported that their work arrangements had changed in the past few months. Most common was a reduction in hours (see Section 3.4 Underemployment, for detailed discussion). Also reported were changes in status from permanent to casual, increased workload, decreased sales targets (in retail), and redundancies:

'I work in retail as a sales assistant and used to work in a full-time position. Since last November the company decided to change their strategy and now I'm in a casual contract. I used to work 38 hours per week but unfortunately they can't give many hours and I'm working around 20 to 25 hours per week. I'm happy because I still have a job, but this is not what I'm looking for. I want something more secure.' [Low-paid, bulletin board participant, 26–35 years, Adelaide, stage two]

'I'm 29, and I currently work as a courier and in an after-sales service role for a major retailer. I'm university qualified, but have found it difficult to get another job after becoming redundant in my last role.' [Unemployed, bulletin board participant, 26–35 years, Melbourne, stage two]

Employers' adjustments to working arrangements in order to manage labour costs and/or reduced demand for labour are discussed in Section 2.2.2 Business adjustment variables: labour costs in context. The views and experiences of employees and job seekers of the three most commonly discussed arrangements (casual rates, hours of work and penalty rates) are summarised below.

Casual versus permanent arrangements

The desirability of casual versus permanent arrangements shifted considerably between stage one and two of the consultation program. In stage one casual work was still attractive to some employees, due to higher hourly pay rates and access to penalty rates. For others, the flexibility of hours was an advantage. By stage two, mention of the desirable characteristics of casual work were notably absent. Concerns about job security, whether expressed explicitly or implicitly, had overshadowed the perceived advantages of casual work for many participants. Many casual employees had experienced underemployment, including several who had recently had their hours reduced. For many participants

(particularly for those with financial commitments) permanent work was therefore more appealing, as it provides reliable income and employment security. Casual work was, however, regarded by most as easier to obtain than permanent work. Many participants commented on an apparent reduction in the availability of permanent jobs.

Hours of work

There was wide-ranging discussion around work hours reflecting the diversity of the current labour markets apparent across different locations. For some employees, flexible or part-time working hours were desirable, whereas others had taken on multiple jobs or extra hours in order to boost their income. The degree of control that employees thought they had over their hours also varied considerably. Some felt they could set their own hours as demand for labour was (still) strong. Others were dependent on their employer's needs from week to week. Some participants spoke of working two or more jobs to bring in the income they desired or needed. This was generally through multiple casual jobs, or a full-time job with extra part-time or casual work as a financial 'top up'.

Discussions of work hours in stages two and three reflected a change in the dynamics of labour supply and demand. On one hand, many participants, particularly those working in Retail, had experienced a forced cut in their hours (reflecting the impact of employer adjustment strategies). On the other hand, many participants had asked for more hours or were actively searching for another job (be it a second job or one that provided more hours). This was triggered either by a perceived need to increase savings 'just in case', or due to a reduction in hours. Most employees reported limited success in these endeavours. Personal concern and anxiety about the economic downturn was often linked to, or compounded by, a failed attempt to obtain extra hours or work:

'Well, I guess we keep our heads above water and, you know, perhaps pick up the little thing we can do here or there to make a bit extra.' [Unemployed, follow-up interview participant, 45+ years, Perth, stage two]

'I'm working very hard in work I don't want to do, because I just want to make sure that I'll have a buffer zone if things turn really bad. I don't know how long the work is going to last. So I say "Yes" to every shift and every job I can just to keep the money coming in.' [Low-paid, bulletin board participant, 21–25 years, Melbourne, stage two]

Penalty rates

Penalty rates were a key consideration for some employees. Overtime, shift-work penalties, weekend and public holiday rates motivated them to ask for or accept these hours to increase their income. In stage two and three consultations, some employees talked of employers manipulating shifts to minimise the amount of wages paid as overtime. In a few instances, employees spoke of working more overtime than usual, apparently due to a hiring freeze in their place of employment:

'I work two jobs and I've got five kids so it's pretty well full-on. I do 12-hour-days five days a week driving trucks and the other job is security. [So I'm] probably [working] about 90 hours per week [in total]. For the security work I start probably 6.30 at night and go right through to till probably 4.00 in the morning. After midnight I'm on double time. And because I'm doing that overtime [driving trucks] that's making the pay packet look a hell of a lot better.' [Low-paid, focus group participant, 45+ years, Brisbane, stage one]

'I am currently only receiving between five and 11 hours per week. One of the reasons is so no-one gets paid any overtime for a nine-hour day. They are able to split the hours

between staff. They have also put on a full-time employee to cut costs paid to the casuals.' [Low-paid, bulletin board participant, 35–49 years, Brisbane, stage two]

3.4 Underemployment

Experiencing a reduction in hours was a relatively common experience among employees, and was almost universally linked to casual work. The later stages of the consultation program revealed an increased incidence of underemployment by occupation, whereby people who were skilled at higher levels were working in lower-skilled jobs. This was attributed to the impact of the economic situation on the supply of jobs, and particularly to a general shortage of 'white-collar' positions.

Underemployment – by hours

Employees attributed a reduction in hours, and consequently, wages, to employers' strategies apparently aimed at reducing labour costs. Some participants reported that their employers would not roster them onto shifts that would incur penalty rates. Other employees attributed the reduction in hours to being older than their colleagues and hence more expensive for their employer:

'My sister works at the supermarket and she gets less shifts because of her age. She's 25 now and they'd rather give it to the younger girls, like the 15- or 16-year-olds. She does a better job than them but they're not willing to [give her more hours] because they have to pay her more.' [Low-paid, focus group participant, 35+ years, Melbourne, stage one]

In stage one few participants contextualised these conditions within the broader economic environment. Furthermore, most employees did not see the link between their experiences and the business strategies implemented by employers to minimise labour costs. It was suggested by some participants that local conditions, such as the drought in south-eastern Australia, were the main contributing factors to their experience of reduced hours. For those living in such areas, ongoing local area issues tended to either overshadow, or be conflated with, the recent economic downturn. However, in stages two and three, participants emphasised the significance of the wider economic downturn to a far greater extent:

'I do think that people have stopped spending a little bit. I'm working in a florist and it is kind of a weird business because it is mostly luxury, people don't really need flowers ... Just in the last couple of weeks my boss has rostered me on for certain hours and then called me in the week and said, "We haven't been making any money; don't come in." We have got one person in the shop and that is all we are going to do today.' [Low-paid, focus group participant, 21–29 years, Queensland, stage one]

'The tough economic conditions are making living hard for everyone. The prices of things have gone up and it is harder to gain work and hours as current positions have been dropping. It seems that it is going to get harder, and economic conditions are going to stay hard for a while. Hopefully things don't get worse and that we are still able to support the economy with spending. However, this is hard as our working hours have declined.' [Low-paid, bulletin board participant, 21–25 years, Adelaide, stage two]

This form of underemployment was most commonly reported by participants working in the Retail industry. This potentially reflects both the high numbers of casual employees, as well as the comparatively strong impact of the downturn on retailers compared to the other industries represented in these consultations. While several employers in Accommodation and food services reported cutting hours of staff, there were too few participants employed

in this industry to draw conclusions about their experiences. Few participants working in Manufacturing, Administrative and support services, or Health care and social assistance had experienced a forced reduction in their hours:

'Cutting back hours: well, that's because obviously in retail everything's got to go out after Christmas or over Christmas. Also because they're not willing to have any extra people on ... they don't want to pay them, basically. I remember we used to have five people on a Thursday night because it used to get really busy Thursdays and Saturdays. These days we only have two.' [Low-paid, follow-up interview participant, 21–25 years, Perth, stage two]

'... that's a problem with retail – when it becomes slow, that reduces everyone's hours. So it makes it very hard to survive.' [Low-paid, bulletin board participant, 50–60 years, New South Wales, stage two]

The financial impact (the impact on take-home pay) was the primary negative aspect mentioned by participants. Associated psychological effects appeared to be frustration and a feeling of powerlessness. Participants in stages two and three demonstrated a greater degree of desperation, apparently due to experiencing (or expecting to experience) difficulty obtaining more hours or new employment. Some felt they had little recourse other than to find another source of income, usually another low-paid job or a new position offering more hours:

'I love my job. I love helping kids. But being a school services officer, you are only contracted for the time of the term so you don't get paid for school holidays. So that's three months of the year that you don't get paid, which makes it really hard when you have a family and a house to pay for and all of that, to all of a sudden not be getting any paid work. So I'm actually looking for something else and I won't necessarily go back to the school if I found something else. Even though I do love working at the school, I really need the stability of the money coming in every week.' [Low-paid, focus group participant, 21–34 years, South Australia, stage one]

'We have cut all social activities for the time being as our wages are all going to rent, bills and necessary items. We are lucky to live so close to the beach, as that is free. Saving is not possible at the moment. I don't expect any pay increases at this time and I have already made my employer aware that I am keen for more hours if available. I am looking for another job – casual or full-time, in retail or a call centre, as this is what I have experience in. I would take anything else I felt I was qualified for.' [Low-paid, bulletin board participant, 35–49 years, Queensland, stage two]

Underemployment – by occupation

The increased prevalence of underemployment by occupation emerged as a significant area of change across the three stages of the consultation program. Anecdotal evidence appeared to reflect a shift of skilled employees into lower-skilled, low-paid positions due to redundancies in higher-skilled occupations:

'They're probably looking for fewer people to do a better job. So they will take the guys with experience and qualifications.' [Low-paid, focus group participant, 21–29 years, Melbourne, stage one]

'... a lot of good tradesmen are working on the mines. Now the mines are closing down so I imagine these people are going to be coming down and they're going to be competing for our jobs.' [Low-paid, focus group participant, 30–44 years, Perth, stage one]

'I've been looking for work since November, and I have noticed a drop in the numbers of white-collar jobs advertised around Christmas, and things haven't picked back up since then. I was originally working as a copywriter for a charity, but there are scarce few roles available in that field, thus I'm working in the service/manufacturing field earning less money and using my hands more. I think if you've got a job, then you do whatever you can to keep it. Times are tough, and staying employed should be the main game.' [Low-paid, bulletin board participant, 21–25 years, Melbourne, stage two]

This type of underemployment was a common concern among younger participants in the stage two consultations. Recent graduates and university students spoke of experiencing, or expecting to experience, difficulties in obtaining work in their area of study. Some who were currently searching for a 'career' job had reassessed their expectations in light of these difficulties, and broadened their job search to include lower-skilled jobs within their chosen industry.

Polly*

Polly recently graduated from university with a PR and journalism degree. She's been looking for full-time work in her field of study since December, with no success. Initially she was applying to jobs such as 'PR officer' or 'events manager', expecting that her qualification would be sufficient to obtain a job. Increasingly frustrated with the process, she's now broadened her job search to include administration and office support roles as a way of getting her foot in the door of a desirable organisation.

Meanwhile, she continues to work as a casual in an accessories store, a job that she's held for several years while studying. Business is slower than usual, and her hours have been cut to one shift per week. She has requested to be put on a part-time contract so that she'll be guaranteed a minimum eight hours a week – a move that she'd refused when offered two years ago, as she had wanted to keep her casual loading. The business has rejected her request due to cuts they've made to staffing hours.

As a result of a reduced income, Polly has cut back on her discretionary spending. Previously, she bought new clothes every week, whereas now her spending is more judicious. Nonetheless, job security is no more of a concern than in the past. She's planning to travel at the end of the year and so does not intend to stay for long in the next job she finds.

'In the beginning I thought, "Oh, this will pass," but now I'm just getting really frustrated because I get so bored and I have nothing to do. I could be out there making money, like, getting experience at everything. I just can't get it and it's really hard. Since December I've had about three interviews, and that's it!' [Low-paid, follow-up interview participant, 21–29 years, Perth, stage two]

* Name changed

3.5 Job security and labour mobility

3.5.1 Job security

As observed in previous consultations, attitudes towards job retention and security tend to involve an interplay of several factors. These include confidence in personal employability, motivation to work, current financial or personal obligations, and perceptions of job desirability. While job security was not generally among the salient factors employees considered when talking about their employment, it often emerged subsequently when participants discussed the benefits of permanent versus casual or cash-in-hand work. Many participants placed a premium on stable hours, income, and benefits such as superannuation.

Stage two consultations revealed a greater sense of wariness about employment status, reflecting increased experience and observation of involuntary changes to working arrangements. In stage one consultations, participants' views about their own job security were mixed. While there was broad awareness that unemployment was rising, many tended not to connect this with their own employment situation. Several rationalised that in any downturn certain jobs, including theirs, would always be necessary. By stage two, concern about job security was stronger and more widespread, and manifested in numerous ways. Some participants had decided to remain in jobs that they would have left in a better climate. Others spoke of working harder or more effectively to avoid redundancy. A few were considering additional study to enter a more 'secure' profession and one or two had requested to be moved from casual to permanent status:

'I have a friend who works as an engineer. After massive lay-offs he is having to work twice as hard just to meet the company's targets for productivity. It's a tough climate right now.' [Low-paid, bulletin board participant, 21–25 years, Melbourne, stage two]

'I was working 42 hours per week. My hours were cut to 37.5 per week due to sales levels. I work for a small business. I work in the position of stock controller and have been in this position for three years. No one else was affected by the changes. I wasn't happy at first but I eventually accepted the change so I could keep my job.' [Low-paid, bulletin board participant, 35–49 years, Melbourne, stage two]

Evidence of changed attitudes to job security was particularly apparent among younger participants. In stage one, younger employees seemed optimistic about their capacity to obtain a job, likely to be the result of limited experience of finding employment in a buoyant economy. By stage two, job security was a far more prevalent concern among younger participants. This was true of both university students who were concerned about their job prospects upon graduation, and lower-skilled, younger employees. Younger participants with financial obligations appeared particularly concerned about job security:

'I know people who have lost jobs ... I'm extremely grateful that I have a secure job ... I know that if I had to find a new job tomorrow I would take the first one I was offered to ensure I was able to maintain rent payments etc.' [Low-paid, bulletin board participant, 18–20 years, New South Wales, stage two]

'I'm looking at changing jobs at the moment and I've noticed a lack of employment opportunities ... I don't want to get into any debts because I worry that my job might disappear.' [Low-paid, bulletin board participant, 18–20 years, Queensland, stage two]

Brett*

Brett was newly unemployed at the time of the focus group in December last year. He had been looking for a business job or hotel work as he studied business and has worked in hotels. In the past, he had never experienced trouble finding work and has held numerous short-term jobs. With no success for several weeks, he decided to take matters into his own hands at the start of January. He put up flyers around the neighbourhood and is now self-employed, earning money in property maintenance. While he's optimistic that the economic downturn won't last long – *'I think it won't be as bad as everyone's now making it out to be'* – he's now thinking about studying to broaden his options. He's considering primary school teaching since it offers secure employment. He's saving at the moment to fund his future studies.

'Now I'm sort of realising that I need to have a profession that ... I will be able to fall back on or just use if things are harder to get into. Before the recession there were plenty of jobs everywhere. I could just pick up work in hotels or labouring or working for myself or whatever. So because that's all dropped off and it's harder for me to just pick up a job when I want to, it's sort of made me realise that I need to have a more solid job security sort of aspect to my employment.'

[Unemployed, follow-up interview participant, 21–34 years, Brisbane, stage two]

* Name changed

The degree of apprehension expressed by participants working in less-secure jobs varied considerably. It appeared to be largely contingent upon the level of confidence they held about their own employability. Apprehension also appeared to be related to the individual's prior job mobility and expectations concerning tenure. Participants who had held their jobs for a long time, perhaps with a limited skill-set, tended to be more apprehensive. Similarly, those who had expected to remain in the same job for a long period, such as some younger participants hoping to find a 'career' job with long-term prospects, tended to place a higher premium on secure employment:

'Primary education has been something I've been thinking about since the recession started because ... it has more solid job security.' [Unemployed, follow-up interview participant, 21–34 years, Brisbane, stage two]

By contrast, participants whose work history was characterised by multiple shorter-term jobs, and who felt confident about their own employability, displayed little concern about job security:

'The older I am getting, I do not mind if I have done 400 jobs till I can find my niche – [I] have not found that fit as yet. I would love to enjoy what I do and will continue to strive to find this. Employers get rid of you easily but we can also say goodbye. They lose plenty of keen, good workers.' [Unemployed, bulletin board participant, 35–49 years, Melbourne, stage two]

Generally, job security appeared to be most important for people who worked out of immediate financial necessity (rather than those who worked to support higher level needs

and wants). For these people, concern about their security in the workforce was often enough to keep them in an unappealing job:

'This is a boring and repetitive job and doesn't require high-order thinking skills. My choice to remain employed in this company is due to the fact that I am secure in that I won't be "let go" at a spontaneous time in the duration of my employment there.' [Low-paid, bulletin board participant, 15–17 years, Sydney, stage two]

'We had to basically go through five years where next week we wouldn't know whether we had jobs or not ... Oh my God! At the end I was getting in debt and stuff like that ... I feel so much less stressed now knowing that I'm permanent. But for four years I was pulling my hair out ... but I still soldiered on because that's what I needed to do at that time in my life. I wasn't unemployed but I wasn't employed stably.' [Low-paid, focus group participant, 30–44 years, Perth, stage one]

Industry differences

Retail appeared to be the least-secure industry to be employed in; many stories emerged in stage two about staffing cuts and hiring freezes. This industry was also typified by casual arrangements, and consequentially unstable employment. Accommodation and food services, while also associated with casual arrangements, was considered comparatively secure. It appeared that participants employed by businesses offering high-end or premium services were affected by staff cuts while those employed by businesses offering lower-end services might be less affected or even grow in these circumstances. That is, pubs and 3-star hotels were reportedly busy, while premium hotels and restaurants were experiencing fewer bookings. Many participants assumed that finding hospitality work would be relatively easy due to a high turnover of staff, while others reported high levels of competition for jobs. Participants working in Health care and social assistance appeared to feel the most secure in their jobs. Several participants indicated they had chosen to work in this industry because it afforded job security:

'In the hospitality industry, I haven't seen much change. I'm not worried that I would lose that job ... [It's] still easy [to find a job]; good waiters are always wanted. There are not many "adult" and experienced people out there. I have been doing this job for nearly 20 years.' [Low-paid, bulletin board participant, 35–49 years, Perth, stage two]

While most participants seemed aware of differences in job security afforded by different industries, few spoke of moving between industries to obtain more secure employment.

3.5.2 Mobility

Stage two and three consultations uncovered a decline in labour market mobility among employees. Relative to previous research, there were noticeably fewer spontaneous mentions of moving to 'greener pastures', in particular the 'mining hotspots'. Participants seemed to be reconsidering the benefits of moving to take a job in a different geographic location or in a different industry. The desirability of job mobility for lifestyle that had been noted among some more confident employees in the stage one consultations was similarly less evident. Recent job search difficulties had led some to reassess the viability and prudence of this pattern of employment.

Despite secure, stable employment becoming more appealing to most, some participants still expected to remain highly mobile in the labour force. For a few, this was due to cynicism about the extent of security provided by permanent work, reflecting a belief that businesses regarded employees as expendable regardless of loyalty or length of tenure.

These participants were generally confident about their employability and were more comfortable working in numerous short-term jobs, rather than becoming 'attached' to any one employer. Others expected to remain highly mobile because they believed that permanent (i.e. secure) work was simply impossible to find in their local area. Relocating in search of work had been considered by a few participants:

'Stability ... Can you rely on the so-called loyalty repayment of companies to their employees who have shown loyalty to the company for years, only to be told they are no longer needed so that a major executive can vote themselves a million-dollar pay rise? Japanese employees for years had a two-way loyalty system that has recently meant nothing any more.' [Low-paid, bulletin board participant, 50–60 years, Brisbane, stage two]

'As far as getting permanent, forget about that 'cause you won't get permanent. Superannuation – they normally pay superannuation anyway. But yeah, as far as permanent goes, forget about it! Don't even bother. To get a permanent job anywhere, it's just not heard of these days, at least not around here.' [Unemployed, follow-up interview participant, 21–34 years, South Australia, stage two]

'Job security has never been a priority. There is none anyhow.' [Unemployed, bulletin board participant, 35–49 years, Sydney, stage two]

3.6 Obtaining work

3.6.1 Barriers to entry into work

The barriers to entry into the workforce remain substantial and real for many job seekers. In stages two and three, many participants described a labour market characterised by increased selectivity among employers and increased competition. Higher-skilled job seekers were seemingly 'trading down' to lower-skilled (entry-level) positions to obtain employment (quickly). There was considerable concern among low-paid and unemployed participants, many of whom faced pre-existing barriers to work, that their chances of finding a job were further compromised by this tougher environment. As was reported following the 2007 and 2008 consultations, age, family responsibilities, access to and affordability of childcare, transport costs or distance to work, lack of (certified) skills, lack of relevant experience, poor health or disability act as ongoing barriers to finding employment, regardless of the economic situation.

3.6.2 Incentives to work

The factors considered by job seekers and low-paid employees when making a decision about taking a particular job remain complex and personal, however, the primary consideration is, as always, the desire to be 'better off'. This is most often framed in terms of the following:

- increasing the amount of remuneration;
- reducing the time burden; and
- attaining better benefits and conditions.

There was a vast number of other considerations against which being 'better off' was measured, including:

- happiness and quality of life (trade-off with stress, health, etc.);

- job security;
- environment/workplace;
- family-friendly hours;
- workplace flexibility; and
- work/life balance.

Despite the changing economic environment, in stage one most unemployed participants and many low-paid employees continued to rate the importance of these considerations and related caveats on job seeking as more important than having a job – any job – in uncertain times. By stage two, apprehension about a difficult labour market meant that compromise was more evident. Nonetheless, many unemployed participants maintained certain stipulations around the type of jobs they were willing to accept:

'I look for something that I can believe in, that will stimulate my interest, that doesn't fall into the rut of the working world where automatons dress up in cheap suits and ties and even cheaper shoes to essentially play with their calculators and attempt to look busy ... writing useless and disingenuous reports to send down to Graham in Accounts and then to the paper shredder. Madness of the office culture – I refuse to be part of that.'
[Unemployed, bulletin board participant, 35–49 years, Sydney, stage two]

'Well, I wouldn't take a job where I had to travel two hours each way as this zaps your energy and enthusiasm and affects your productivity in the job. I value my health so it's important to be in a job where you are safe. You spend more time with your work mates than other people, so [you] need to be working with people you get along with.'
[Unemployed, bulletin board participant, 26–34 years, Victoria, stage two]

The emerging preparedness to compromise on job search criteria because of increased competition in the labour market was particularly apparent among higher-skilled, younger participants – people who had typically held a number of caveats around working in the previously buoyant economy:

'I think that these days it is hard to find a job that ticks all the boxes. You have to sacrifice one thing or another.' [Low-paid, bulletin board participant, 21–25 years, Melbourne, stage two]

'In the past I wasn't overly concerned with jobs and would leave a job if it wasn't challenging. These days I know that it's better to have a job – even if you don't love it – than to not have a job at all ... I have slightly broadened my options to include slightly lower-paying jobs as I would rather have job security and just survive than be in the position that I am currently in.' [Low-paid, bulletin board participant, 21–25 years, New South Wales, stage two]

Lower-skilled, older people with fewer caveats generally saw little scope to compromise further. Some were cognisant that existing barriers, such as health problems and age, limited their chances. They were prepared to take anything they were physically able to do. However, this compromise came with the clear expectation that more desirable work would become available once the economy picked up. In the meantime, short-term, stop-gap employment was acceptable:

'For me, finding work is hard. Having no formal qualifications and very little experience makes it even harder. I have been out of work for long periods of time [so] that is another cross against me. I am constantly looking for jobs that I could possibly get. I check the

papers, internet, shop windows, Centrelink and more, but I do think it is hard to find jobs that I would be accepted for.' [Low-paid, bulletin board participant, 26–34 years, Sydney, stage two]

'There are less jobs around so I feel I will need to take whatever position I can, regardless of my personal preferences at the moment.' [Low-paid, bulletin board participant, 35–49 years, Brisbane, stage two]

'I've been looking for work every day and applying for jobs every day. I have been looking for anything I might be able to do, including office, hospitality and gardening. I've been looking for full-time and part-time, permanent or casual, but not night work. Of course the pay rate is important. At the moment I am so poor that I don't care if it's a day's work or long-term. I just need money ... I have ambitions to do something else with my life, so am also attempting to attain the skills necessary to get into the field of my choice, which is TV or radio production.' [Unemployed, bulletin board participant, 35–49 years, Melbourne, stage two]

3.6.3 Trade-offs

Factors that participants 'traded off' in the decision about whether to take a job are comparable to those reported in previous consultations. People still need to 'do their sums' to determine whether they will be better off in employment than in receipt of government allowances. The major factors considered were transport costs (cost of travelling to work) and child care costs. Many mothers discussed the point at which it becomes financially unfeasible to take a particular job, in terms of paid child care versus their hourly rate of pay. As observed in previous consultations, a major consideration is retention of the Health Care Card and its associated benefits.

3.7 Outlook for 2009: job seekers

The outlook for most job seekers changed markedly between stage one and stage two. In stage one there were somewhat polarised viewpoints about whether it was easy or hard to find a job in the current environment. Many participants claimed there were plenty of jobs available. Judgements about job availability seemed to be based mostly on the number of positions advertised in newspapers. Participants discussed positions that had not been filled in the 'boom' environment, which had allowed employees to pick and choose jobs. However, some expected that finding a job would become more difficult if there were to be a significant economic downturn or recession:

'Unemployment is actually going up at the moment ... but I guess if one person won't accept that pay, somebody else might. There's always more people out there who want the job or are more desperate for the job and are happy to get it.' [Low-paid, focus group participant, 30–44 years, Perth, stage one]

'In previous times, before this economic crisis, if you had a special skill which is quite unique and it's hard to train someone else up in, that person could have the company by the balls and say, "Well, if you don't give me what I want, don't give me the hours I want, if I don't feel like coming in today I won't, but you'd best not upset me or I'll just walk". But now I don't think those sorts of people have that option any more.' [Low-paid, focus group participant, 30–44 years, Perth, stage one]

By stage two consultations some participants had been out of employment for long periods, and some concluded that the current job market was the 'hardest' that they had experienced. Overall, there was a growing sense of desperation among participants:

'I have never found it so hard looking for full-time or part-time work with decent hours as now.' [Low-paid, bulletin board participant, 35–49 years, Sydney, stage two]

'It has taken me about a full month looking every day to get a good full-time job ... In any field at the moment it is really hard to get a job. [There are] so many people at the moment with no job at all.' [Low-paid, bulletin board participant, 18–20 years, New South Wales, stage two]

'Gaining simple under-the-counter cash from hospitality, for instance, is not hard at all. It can be a messy job and strange hours but really [it] is always around.' [Unemployed, bulletin board participant, 35–49 years, Sydney, stage two]

Due to mine closures early in 2009, the feeling that the 'boom' was coming to an end in Perth and Queensland, which had been noted in stage one, had evolved into presumptions of intensified competition for available jobs. Local conditions continued to be seen as the cause of ongoing pressure on job supply in some areas. For example, the drought will continue to affect job availability in regional South Australia:

'They think things are going bad so [they] don't employ as many people ... unemployment has gone up – it's on the news all the time.' [Low-paid, focus group participant, 21–29 years, Perth, stage two]

'There are far fewer jobs being advertised, and now with all the mines closing down, skilled workers have flooded the work sites. Also, because the big dollars are not coming in, the wives of the miners are looking for work as well. Some of these women haven't had to work for 10–15 years.' [Unemployed, bulletin board participant, 35–49 years, Perth, stage two]

'You are never there [at seasonal factories] for as many months as you used to be ... it used to be six months, five months ... You used to go straight from one [job] to another. But there's nothing now.' [Unemployed, focus group participant, 21–34 years, South Australia, stage one]

4. Providing a safety net for the low paid

Key findings

- As in previous consultations, the cost of living was reported to be a major pressure on the low-paid and unemployed participants.
- Many participants asserted that wages had not kept up with rising costs and that paying essential living costs remained a struggle.
- The key issues raised included the rising cost of groceries and other essential living expenses such as clothing, phone and utilities. Housing and rental prices were also reported to have increased substantially.
- In relation to transport and petrol, there were decreases in fuel prices which provided relief for those with vehicles. Interest rate cuts relieved financial pressure on participants with a mortgage.
- The degree of personal impact depended on the level of financial responsibility for themselves and others. Young independent employees on junior wages (not living at home) and lower-income family households were under considerable financial pressure.
- The issues reported from stage one to stage three remained consistent. Very few participants noted any easing of financial pressure. Rather, heightened awareness and concern about the economy has led to an increased feeling of unease about financial security and associated increased anxiety about maintaining income levels in uncertain times.

4.1 Cost of living and cost of working

Similar to consultations conducted in 2007 and 2008, increased costs of living (including the increased cost of working) were frequently mentioned by low-paid and unemployed participants. Despite decreasing interest rates and lower fuel prices, the cost of living remained a significant concern for the vast majority. Indeed, speculation about the potential impact of the economic downturn appeared to heighten participants' anxiety about 'making ends meet'. Those who had the capacity to save were making every effort to do so in preparation for periods of decreased income that may eventuate. This was revealed to be an increasingly normal behaviour by stage two consultations:

'I'd like to buy a motorbike or a little convertible for the weekends but at this stage we are saving just in case the recession bites. Our saving has taken a hit because my partner wanted to buy a used car. So the money we had in the bank has been used up. So I'm selling off other assets on eBay just to get some money back in the bank for a rainy day.'
[Low-paid, bulletin board participant, 21–25 years, Melbourne, stage two]

Petrol prices across Australia were lower at the time of these consultations. However, these reductions, while welcomed, were not considered to offset what were thought to be ever-increasing general living expenses. Moreover, a number of participants, particularly those currently unemployed and/or living in metropolitan locations, did not have their own transport and therefore had not benefited from the recent reductions in petrol prices. Rather, some reported increased costs (including the cost of working) due to rises in public

transport fares. Some participants reported that they struggle to keep up with these types of costs:

'Over the last two weeks it's got really good. I just put petrol in my car; I stood at the bowser longer than I normally do. I'm happy. But two weeks ago it sucked. I reckon it's got better.' [Low-paid, focus group participant, 30–44 years, Perth, stage one]

'Yeah, it's a struggle. It's always a struggle ... Like today, after rent, I had \$113 for the week. I'm meant to pay bills and food and transport and everything for \$113.' [Unemployed, focus group participant, 35+ years, Melbourne, stage one]

Similarly, decreasing interest rates were rarely raised in discussions as many participants were not homeowners. Those with mortgages who did mention the interest rate decreases did so cautiously. Without income security, any savings made in the short term may be required down the track to offset decreases in income. In some areas, however, increases to the cost of housing (such as increasing rental payments) were reported to be a significant financial burden:

'We don't spend on anything that is not essential any more. We are considering moving back to where we were from originally, as the rent [there] is at least \$100 per week less than we are currently paying.' [Low-paid, bulletin board participant, 35–49 years, Queensland, stage two]

'We had to raise our repayments because at one stage we were paying interest alone. We were absolutely getting nowhere and I thought, this is ridiculous; what's going on? So we spoke to our bank manager and she said "You need to put a bit more in." So we did. And now that the interest rates are dropping a little bit my husband and I have said we'll leave our repayments where they are because it's getting our loan down quicker. It's going to give us a bit of a redraw, which down the track we might need. We don't have a savings account. We live from pay to pay to pay to pay. We've got two credit cards that are pretty much at their limit.' [Low-paid, focus group participant, 30–44 years, Queensland, stage one]

'House prices are going up and up ... I'm renting in Parramatta. When I came in here, my brother was paying \$250, then it's \$305 ... then in December [it's] \$360 per unit. I live in Blacktown and we are paying \$350 for a house out there.' [Unemployed, focus group participant, 21–34 years, Sydney, stage one]

Overall, the vast majority of participants continued to focus on cost-of-living increases rather than decreases. Many participants claimed that over the past year costs had gone up but wages had not kept pace with the increases:

'Living costs seem to keep rising; however, people's wages are not increasing. Full-time jobs will be a thing of the past with people working two or three casual jobs to survive.' [Low-paid, bulletin board participant, 21–25 years, Melbourne, stage two]

'It is an ever-noticing trend that your shopping trolley is emptier for more money that you leave with at shopping counter. Petrol is another one, and even though we own a Getz, it still costs a lot each week.' [Low-paid, bulletin board participant, 21–25 years, Adelaide, stage two]

'Your cost of milk, bread and basics ... just thinking of the basics, [they] are going up. They are not coming down. The basics have gone up. Go to [buy groceries] and spend \$14 and see what you get ... you get nothing. [You] don't even get enough to make dinner ... you just can't survive on the minimum.' [Low-paid, focus group participant, 30–44 years, Perth, stage one]

Cost and lack of availability of child care remained a significant issue for low-paid and unemployed mothers. A few participants mentioned the ABC receivership as contributing to the child care barriers for those seeking to enter the workforce or increase their participation.

4.2 Factors affecting income and spending

Public consultation reports prepared for the Commission in 2007 and 2008 identified that it is an over-simplification to characterise 'the low paid' as one homogenous group. There are a myriad of factors influencing decisions an individual makes about work. In every situation the interplay between those factors differs. Various aspects related to different stages of life mean that these groups also include a variety of people facing different life circumstances and situations. An individual's attitudes and behaviours towards work, work practices, the level of pay, income and spending are related to these circumstances.

This diversity of circumstances gives rise to diversity of responses to the economic downturn, including labour market participation, income and expenditure. Costs of living and costs of working varied between participants, thus the impacts and considerations on quality-of-life for low-paid employees in the current environment also varied. Nonetheless, stage two and three consultations revealed a shift in priorities towards meeting the costs of living and saving where possible. This shift appeared to be prompted by concern about the potential impacts of the economic downturn, and generally heightened awareness of the importance of income security.

As a general rule, as the level of individual financial responsibility increased, so too did reliance on one's own capacity to earn sufficient income through wages to meet basic needs. Therefore, among the participants in these consultations there were two main subgroups of low-paid employees, who reported particular considerations regarding balancing the pressures of living expenses on a low wage:

- low-paid persons taking on responsibility for a child/children – both single parents and couples; and
- young people living (or becoming) independent of their parents.

Similar to previous consultations, participants discussed difficulty in earning sufficient income to maintain a reasonable 'standard of living', being able to 'keep their head above water' or even just to 'make ends meet':

'... because everything is going up and it's just getting harder to make ends meet.' [Low-paid, focus group participant, 45+ years, Queensland, stage one]

As in previous consultations, some participants discussed wanting to 'get ahead' or attain 'just a little bit more', believing that this might make their lives easier. However, by the stage two consultations, some participants were revising their expectations about improved living standards, at least in the shorter term. As an increasing number of casual employees had experienced a reduction in working hours or knew of others who had, the immediate focus for many was simply on 'getting by':

'I feel with the income I am getting at the moment, I probably need a second job to survive if the economy gets worse – and I think it will. I would love a cash-in-hand job, cleaning maybe, answering telephones, telemarketing maybe. I will be looking for a second job if things get worse this year. I don't feel there will be a pay increase at all in the company I am at. We have asked before and still nothing.' [Low-paid, bulletin board participant, 50–60 years, Sydney, stage two]

Many participants had increased or changed their participation in the labour market in various ways:

- Taking an additional job:

'Currently I am working part-time in retail and that isn't putting bread on the table. Every week I ask for more shifts, but with the budget they now run on they can't afford it. So currently I'm looking for another job – a career in fact. It really makes me angry the way the current situation is heading.' [Low-paid, bulletin board participant, 21–25 years, Brisbane, stage two]

'I have taken a second job doing ironing after hours for extra money ... to make ends meet. It makes it a lot easier financially since I've been doing it. I knock off on a Wednesday night, go home and I'll start ironing. Then I'll get up Thursday morning and I'll iron. I'll go to work Thursday and come home Thursday night and iron, and hopefully it's done and then I can deliver it Friday morning.' [Low-paid, focus group participant, 21–34 years, South Australia, stage one]

'I'm getting a weekend job as well because it's just not enough money where I'm working.' [Low-paid, focus group participant, 45+ years, Melbourne, stage one]

- Working more hours in their current job (which might be more hours in general, or more hours paid at penalty rates):

'... when I get the shifts, it will be from say 11.00 till 4.00 like I did today, then do it for the next two days and then nothing for a week ... so I'm relying on the night job to get me over.' [Low-paid, focus group participant, 21–29 years, Perth, stage one]

- Finding a higher-paid job:

'I left my old job because it was paying \$14.60 an hour. I get paid \$18 on weekdays and \$22 on weekends. I stayed at that old job for a long time, mostly for the convenience. At the end of the day I left mostly because of the money. But I did stay there longer than I probably should have.' [Low-paid, focus group participant, 21–29 years, Perth, stage one]

- Subsiding income through casual or shift work or penalty rates:

'Well, I'm only doing three nights a week. It's only Thursday nights, Fridays and Saturday. So I get one day off a week, which is good. With the other job I work 12-hour days from 6.00 to 6.00. Because I'm doing that overtime, that's making the pay packet look a hell of a lot better.' [Low-paid, focus group participant, 21–34 years, Brisbane, stage one]

- Deferring retirement or returning to the workforce:

'... I sort of retired a lot earlier than I planned, and of course the superannuation money is vanishing very quickly, so it's a bit of a worry at the moment.' [Unemployed, focus group participant, 35+ years, Victoria, stage one]

'Well, we don't rely on the money and I don't earn much. It's just a little bit extra to help pay the bills and it might help because my husband is retired and looking at his superannuation. But everyone is in the same boat. It just might help with the cash flow.' [Low paid, focus group participant, 45+ years, Melbourne, stage one]

4.3 Disposable income: spending, saving and debt

Employees appeared to be placing a higher priority on saving than observed in previous consultations. Though many continued to find it difficult to save, responses suggested that they were more motivated to attempt this as a protective measure 'just in case' their income through wages decreases. Those with higher household income showed greater inclination than observed in previous consultations to set aside anything over and above their essential living expenses. This was commonly viewed as prudent in the current economic climate:

'I'm definitely more conscious of the way I spend. I think twice before I buy anything, be it food, going out, clothes, etc. I'm trying to pay off my bank loan and hope in the meantime that nothing major will happen like my car breaking down.' [Low-paid, bulletin board participant, 26–34 years, Melbourne, stage two]

Nonetheless, as in previous consultations, low-paid and unemployed participants frequently reported that their disposable income was inadequate. Again, this varied depending on participants' needs and responsibilities, income sources, and desired lifestyle:

'I'm more conscious now when it comes to going out. Just everything I find too expensive these days, therefore I'm missing out on a lot of things I use to do and enjoy.' [Low-paid, bulletin board participant, 21–25 years, Brisbane, stage two]

'My husband has to earn a certain amount of money a fortnight for us to get by, otherwise we really struggle, so anything I bring in is a real bonus. If I could get a job that would pay for the groceries that would be ideal ... we'd have a better lifestyle because we're less stressed with mortgage repayments. We pretty much work to pay for the lifestyle that we like to have, which in the long term I'd like to be a bit better than what it is. But for now it's just how it is; what you don't have, you don't miss, pretty much.' [Low-paid, focus group participant, 30–44 years, Queensland, stage one]

'Every week I pay \$25 off the electricity and at least \$150 on food. Luckily I don't have gas or fixed phone but I have a mobile [phone at] \$100 a month. So once I look at that, if I wasn't on \$500 absolute minimum there would be no way I could keep going the way I do. My rent is \$300 per week. So there are times when I struggle to make it through to the next fortnight, but I have a pretty good landlord.' [Unemployed, focus group participant, 21–34 years, Sydney, stage one]

The notion of 'discretionary expenditure' and being able to make major purchases or buy non-essential items was foreign to many of the Indigenous participants, particularly those with children to support. Many of these participants were struggling to pay their day-to-day expenses, and felt that relatively little expenditure beyond that was achievable:

'I was married and had a house and other things, but when I got divorced I lost everything. Today, I can't even save \$2 until the next pay day. I even have to ask [my colleague] to buy me a cup of tea the day before pay day. It's not right; it shouldn't be like that.' [Low-paid, Indigenous focus group participant, 21–40 years, Sydney, stage two]

'I don't know anyone who actually earns enough money to be able to pay for the needs that they've got. Whether it be rent, your car payment or putting petrol in your car, or

bread and milk, whatever it is. But having a bit to put on the side too – even to put in your back pocket and carry it around for a week until next payday? Not many people in our community have that luxury. I know they say the economy is all crappy and whatever. But say, if you earn an extra \$200 a week you've already got the need for that \$200 a week. Say you've got an electricity bill or something that you've got to go and get assistance for. Now I think I can just pay that. No-one's got that stash-away money. You spend it.' [Low paid, Indigenous focus group participant, 21–40 years, Sydney, stage two]

Few employees aged 21 years and over mentioned having money to save. Those who did discuss saving their wages claimed to have little capacity to do so at present:

'... all I know is 20 years ago when I had teenage kids at home I could save a bit, whereas I can't now. I'm struggling and everyone's in the same boat ... It's just sort of like your money goes nowhere.' [Low-paid, focus group participant, 45+ years, Brisbane, stage one]

In previous consultations, younger participants were frequently found to have higher levels of discretionary income, particularly those who were living in the family home. This meant that they were in a better position to save than other employees. The stage two consultations indicated that younger employees, typically casually employed, were increasingly facing reductions in their hours. Some were underemployed and experiencing difficulty finding employment. As a result, some younger participants did not appear to be as confident about saving as observed in previous consultations:

'I try to put as much possible into savings. It's easier to save when you're younger and living at home. Once you move out bills soon take most of your income. I feel it's better to start [saving] now so when it comes time to move out, or upgrade my car, etc. I will have the money available for this.' [Low-paid, bulletin board participant, 18–20 years, Queensland, stage one]

The government's stimulus package payouts were raised spontaneously in many of the stage two consultations. Use of this money varied, though there was some indication that people were more wary about spending the April payout than they had been about the December payout. Several indicated that they were planning to either save the money or to pay off debt.

Indeed, most participants reported servicing some level of debt. A number of different scenarios were presented, ranging from relatively small credit card balances to significant study-related debt, personal loans and mortgages:

'I mean, mortgages might be going down but a lot of other things relating to the bank aren't going down ... like your credit card; I'm on 20 per cent or something on my credit card, and that's not going down.' [Low-paid, focus group participant, 30–44 years, Sydney, stage one]

'I have been working two jobs since October last year. I went back to Woolworths [and] did 12 hours straight. [I] opened up the store and closed the door on the weekends. And when I didn't work the weekends I was working three nights a week. That's because I have debts. [I] went through a debt fix program before I went bankrupt. So I have to pay back \$30 000 over four years, which is \$550 a month. I am too stressed out about where the next dollar is going to come from.' [Low-paid, focus group participant, 30–44 years, Sydney, stage one]

4.4 Outlook for 2009: low-paid employees

There was far greater apprehension about the future among participants in stages two and three than observed in stage one consultations. While the strong sense of **uncertainty** about the economic situation that was frequently observed in stage one was still apparent, it appeared to be a **real concern** for participants by stage two. The wariness about spending, revised expectations and aspirations, concern for job security and focus on 'getting by' was both reflective of, and perpetuating, a changed public mood. It was no longer only those who had experienced externally driven changes to their employment or living arrangements whose attitudes and behaviours were shifting.

There were varying predictions about the duration of the downturn: some felt that the economy had reached the lowest point of decline, while others anticipated the situation would worsen considerably over the coming months, potentially persisting well into 2010:

'I think the economic situation in Australia and overseas is looking quite bad. I have noticed a lot less jobs available in the newspapers and online. This worries me because I know I need to find extra work. I know my job at the moment could end any day. Plus, I worry about one day bringing up children. I am at the age now where I am starting to seriously think of having children and I know that I just cannot afford it. I worry about what will happen in the next few years with the economy.' [Low-paid, bulletin board participant, 26–34 years, Sydney, stage two]

5. Monitoring the impact of wage decisions

Key findings

- As in previous consultations, there was variation in the level of awareness among employers and employees of the process of changes to minimum wages and the direct linkages to their own wage rates.
- Employees welcomed the 2008 increase but many felt it did not go far enough in meeting their living costs, particularly those employees with high levels of financial responsibility.
- Similar to findings from research into employer responses to minimum wage adjustments, businesses with large proportions of employees paid at minimum rates reported being significantly affected by increases in wages.
- For some employers, the October 2008 implementation coincided with a downturn in revenue due to economic circumstances. Adjustments implemented in response to these changes in labour costs could not be isolated from the adjustments implemented in response to decreases in revenue.

Employers' responses and adjustments included:

- **reducing costs;**
- **increasing productivity** through marketing strategy and staff training; and
- **reducing staff costs** through cutting staff hours, reducing the number of staff per shift, cutting overtime, etc.

Industry differences in business responses to wage increases were apparent:

- Employers in Accommodation and food services and Retail prioritised staff adjustment. Increasing prices was not considered viable.
- Employers in Manufacturing also made adjustments to staffing but were more wary of losing skilled employees.
- Employers in Administrative and support services primarily focused on cutting costs in areas of their business other than labour costs, and were also wary about losing skilled staff.
- Employers in Health care and social assistance were not greatly affected by the downturn. Commercially operated businesses in this industry were therefore in a better position to increase prices in response to increased labour costs compared to employers from other industries in this consultation.

5.1 Wage-setting arrangements

In determining the impacts of the most recent change in minimum wages, it is first necessary to explore levels of awareness, understanding, and linkage to wage-setting arrangements for both employees and employers. Overall, there was relatively **low awareness and understanding** of minimum wage increases among many employees. As a result, non-performance-related pay rises were rarely associated with minimum wage increases. Thus, it is difficult to attribute the reported impact of such rises to the increase

in minimum rates with any certainty. Similarly, there was limited awareness of the influence minimum wage increases may have on above-award/Pay Scale rates paid to some employees.

Many of the employers paying above the relevant minimum rates, but using awards/Pay Scales to guide their wage-setting arrangements did not see minimum wages and increases to minimum rates as particularly relevant. These employers claimed that the increase had no impact on their business.

5.1.1 Awareness and understanding

Employees

While most employees were aware that there are minimum rates of pay, there was limited knowledge about both the purpose of minimum rates in Australia, and the monetary value of the Federal Minimum Wage. Similarly, while participants were aware that Pay Scales and award rates for different industries existed, they were often uncertain of the relationship between wage-setting arrangements in their workplace and adjustments to minimum wages.

Employees in the most recent consultations seemed more likely to have noticed a wage increase in the preceding few months compared with participants in the 2007 and 2008 consultations. However, reflecting their limited understanding, few employees associated their pay rise with the increase to minimum rates. Participants generally assumed it to be the result of tax cuts or standard annual pay increments linked to the Consumer Price Index (CPI):

'That's what I'm thinking of, actually. There was a tax cut.' [Low-paid, focus group participant, 30–44 years, Queensland, stage one]

'Well, I don't know. All I know is that we were told that when we got our – what do they call it, the CPI, the government-indexed pay rise – that was 3 per cent and the inflation rate was 4.5 per cent.' [Low-paid, focus group participant, 45+ years, South Australia, stage one]

Moreover, responses indicated employees were not particularly concerned with the source of their wage increases. For many, it appeared that the 'why' of any increase was incidental:

'I just assumed it was a standard pay rise all around. I think I might have heard something on the news.' [Low-paid, focus group participant, 21–34 years, South Australia, stage one]

'I remember seeing something on Stateline or Nightline or something ... and it bored me so I went back to YouTube.' [Low-paid, focus group participant, 45+ years, South Australia, stage one]

Employers

Employers were generally more knowledgeable than employees about the role of minimum wages. Stage two consultations indicated that employers' awareness of the October 2008 increase was greater than in stage one. This suggests a lag effect in terms of observation and implementation of the increase.

Knowledge of the increase and its scale and effect on above-award/Pay Scale rates was less apparent. Some employers paying staff more than the minimum rates assumed it was not relevant, as did employers who had specific staff or external advisers to deal with wage matters:

'Most of our staff are paid above award so this change only affects juniors, which we rarely hire.' [Employer, bulletin board participant, Retail, small, Brisbane, stage one]

'I must admit it's more my accounting department that does that. But yeah, I'm pretty sure that was noticed and put in place.' [Employer, bulletin board participant, ASS, small, Perth, stage one]

5.1.2 Information sources and advice

Employees

Employees mostly tended to seek information about wages through their own research, often by calling Wageline or by searching the internet for appropriate websites:

'With Wageline, you call and you state your job and your position and they tell you what the minimum is. I'd always do that now.' [Low-paid, focus group participant, 21–29 years, Melbourne, stage one]

'I tried to find out on the internet and that was very hard. I am not the smartest person in the world so I was just Googling minimum wage and stuff like that and it was pretty hard. And then I found all these official documents that I had to go through and got my sister to help me and then ... I can't even remember if I was satisfied with the answer I got from it.' [Low-paid, focus group participant, 21–29 years, Perth, stage one]

Others relied on word-of-mouth for wage-related information, particularly from those in similar types of employment:

'I usually ask someone, like a friend or a friend of a friend, how much they get paid for doing that job.' [Low-paid, focus group participant, 21–29 years, Melbourne, stage one]

Some employees approached their employers for information about wage rates. It was asserted that employers are obliged to provide details about how wages are set and alert staff when pay rates change:

'Speak to your employer. They should have an agreement, or not necessarily an agreement, but they should have the award papers there for you to peruse; a lot of them don't like you to take them off the premises but they should be made available to any employee who asks.' [Low-paid, focus group participant, 45+ years, South Australia, stage one]

However, several employees had misgivings about their employers' motivations in this regard, so did not see this as a reliable source of wage-related information:

'Apparently there's a number. You ring up and say how old you are, what your job is, and they tell you how much you need to get paid. [You can] basically see if the company is trying to rip you off.' [Unemployed, focus group participant, 21–34 years, Brisbane, stage one]

Communications to employees from unions were also cited as a source of information about wage rates. In some cases pay increases were attributed to union action or advocacy.

Employers

Among employers, information sources about wage changes also varied. Some were proactive, periodically monitoring official websites like the Workplace Authority, the Australian Fair Pay Commission and the Australian Industrial Relations Commission. Others checked these websites at certain times of the year, based on the assumption that wage increases always occurred at the same time. Several employers also received updates through newsletters or emails from employment bodies (such as the Workplace Authority), or from industry associations.

Employers in smaller businesses generally found it more difficult to monitor wage changes. Many relied on their accountants or bookkeepers to inform them as required. Others assumed they would find out through the media. Some asserted that small businesses should be better supported in this regard, with a system ensuring that they are notified when changes occur:

'In small business, you're one operator: you're the director, the secretary, the treasurer, the mailman, the bearer of bad news and the signer of the cheques. So you've got all those things to do, so I think it can sort of get neglected ... Guess I find out on the news. Whereas, Australia's biggest employer is small business ... Honestly, we don't get much information. You know, you'd think with an ABN or an ACN ... wouldn't hurt to have an email ... It's not going to take much just to set up, surely.' [Employer, interviewee, Retail, micro, South Australia, stage one]

5.2 Impact of changes in wage rates

5.2.1 Impacts of 2008 wage changes

Employees

Given the confusion about the source of wage increases displayed among these participants, it is difficult to determine whether reported non-performance-based pay rises actually reflect changes to federal minimum and classification wages or other reasons for wage rate changes. Participants reported variation in the value and timing of the increases they had experienced. The findings, therefore, are based on responses to wage rises approximating the time and value of the increase implemented in October 2008.

As low-paid employees are not a homogenous group, the impact of wage increases therefore tends to vary. For those who were not primary wage-earners, small wage increases were not a significant issue and some participants appeared oblivious to their occurrence. Others, particularly primary breadwinners in families, saw the increases as helpful and pleasing, but generally limited in effect. Relatively small increases to wages often translate to relatively minor adjustments to grocery shopping or other household expenditure:

'It wasn't enough for anyone to notice. If you don't read your pay sheet, if you get the same pay every week, you don't read your pay sheet.' [Low-paid, focus group participant, 21–34 years, South Australia, stage one]

'If you only get \$50 a week, you manage to survive on it. If you get \$150 a week you still manage to survive on it ... You just get a better line of ice-cream or something like

that, rather than the generic brand.' [Low-paid, focus group participant, 45+ years, South Australia, stage one]

Therefore, it is difficult to generalise across all subgroups about relative effects of changes to minimum wages. The personal circumstance and responsibilities of an individual influenced their views about the impact of a change in their wage. While there are some who had other resources or sources of income (i.e. someone else is taking care of them financially), many employees and their dependants relied entirely on the wages from their low-paid employment. Many employees welcomed any increase but desired a more substantial one.

Employees' perceptions of the effects of the 2008 increase to minimum wages on their employers **and the economy more broadly** were mixed. Some had noticed changes to their work environment which they attributed to the increase, such as reductions in staff numbers and working hours:

'Younger people were being hired and those of us over 21 – our hours were reduced significantly.' [Low-paid, bulletin board participant, 21–25 years, Adelaide, stage two]

Some suggested that in the current economic climate, increased wages were an extra expense that many employers could simply not afford. These employees highlighted the potential implications of the increase for the workforce, and speculated that the increase may have prompted employers to make staffing changes observed in their workplaces. Others contended that employers had absorbed the increase relatively easily, as demonstrated by sizeable corporate profits and the ever-widening gap between the rich and the poor:

'There are fewer people being rostered to save money, but at the same time being in the retail industry and it being Christmas time ... the busiest time of the year ... extra staff will have to be rostered soon, regardless, to combat the demand and people shopping in the next few weeks.' [Low-paid, bulletin board participant, 18–20 years, Brisbane, stage one]

Other participants, while appreciative of the need for pay increases, recognised a relationship between wages and inflation and feared a 'double impact':

'I think we've got to be realistic in putting up the wages and all that. Because, as I said, it would be like a double impact if everything goes up. The wages go up and you know what's going to happen, everything will go up as well.' [Low-paid, focus group participant, 45+ years, Brisbane, stage one]

Employers

Consultations revealed that, in the main, only employers paying at the relevant award/ Pay Scale rates claimed to have been affected by the 2008 increase to Federal Minimum Wages. Employers using state awards or paying above the minimum levels tended not to consider changes to Federal Minimum Wages as pertinent to their business. While many of the stage two consultation participants had implemented wage increases late in 2008, these were largely not associated with changes to Federal Minimum Wages.

The extent of perceived effect was influenced by the number of staff the business had and how many were paid at the relevant minimum rates. Those employers with relatively few staff paid at the award/Pay Scale rates felt that the increase in their total wages expenditure was minimal, and had been absorbed without the need for immediate

operational adjustments. Conversely, those with more staff paid at the award/Pay Scale rates tended to note the effects of the increase:

'The 2008 increase has been significant, as in our business about half our team are casual employees and it impacted most of them. In this climate we find it easier and more manageable to have casuals rather than permanent part-timers, but it is a huge expense now.' [Employer, bulletin board participant, Retail, small, Melbourne, stage two]

'Wages are one of the biggest expenses to the business. Any increase in an hourly rate reduces the ability to manage wage costs, as it now costs more to have the same individuals do the same work. If revenue drops then this cost could really blow out, as there is only so many hours you can reduce for casual staff without customer service suffering.' [Employer, bulletin board participant, AFS, medium, Sydney, stage two]

These employers claimed that the increase to minimum wages had an immediate effect on their business and themselves, including:

- lifestyle implications resulting from necessary changes to business operations (i.e. employers working more hours to replace staff they can no longer afford); and
- an impact on the profitability of their business (and as a result, either preventative or mitigating action, or alternatively, reduced income due to decreased profit levels).

By contrast, as found in previous research on employers' responses to minimum wage adjustments,² employers who felt **in control** of wage-setting in their business tended to regard recent wage increases either positively or neutrally. Benefits, in terms of improving employee attitudes and/or increasing performance, were often noted:

'The 2008 minimum wage increase had some impact; life is always getting tougher. But the extra money I have been paying [in wages] after [the] increase is smaller than the increase in sales.' [Employer, bulletin board participant, Retail, small, Melbourne, stage two]

'Its effect [wage increase] on the staff is always good. They know when it's going to happen and look forward to it.' [Employer, bulletin board participant, AFS, medium, Adelaide, stage one]

'There was not a lot of impact. The change was relatively small and we simply increased our service and product-pricing models.' [Employer, bulletin board participant, ASS, medium, Perth, stage one]

Employers in tighter labour markets (particularly in Health care and social assistance) felt more influenced by **market rates**, but again did not associate this with minimum rates:

'[Minimum wages] have a small profile in what we do here, in the fact that most people here are paid above award anyway. So the dynamics of that don't have a large effect, in the fact that if we were paying everybody here just award wages, well, obviously they would be passed on straight away. [Wages are] based on productivity, and it's based on what the marketplace dictates. We keep a close eye on what is being offered in the marketplace, what other companies are offering etcetera. So I guess market forces dictate what we pay.' [Employer, interviewee, Manufacturing, medium, Brisbane, stage one]

2 TNS Social Research, *Employer Responses to Minimum Wage Adjustments*, report commissioned by AFPC, 2008, Section 3.3.2.

'I see it as an employees' market in my particular industry [early childhood]. Staff are being paid more in other professions so they leave our industry quite quickly and get paid more in a more attractive profession. In the paper you see at least 10 to 20 jobs advertised every Saturday looking for staff in my industry.' [Employer, bulletin board participant, HCaSA, micro, Canberra, stage two]

The increase was also felt more strongly by some employers who were struggling in the current economic environment, including those with fewer staff. It is important to note, however, that many employers in the consultations – including those whose businesses had been adversely affected by the economic downturn – were supportive of the increase. They claimed that its effects on business were relatively insignificant compared to other business pressures, most notably declining revenue. While employers in some industries (notably Retail and Accommodation and food services) did not support a further increase to minimum wages, there were relatively few participants who opposed the 2008 increase.

5.2.2 Business responses and strategies

As in previous consultations, employers described a variety of approaches to countering increased wages expenditure. Some businesses had specific strategies for accommodating wage increases, while others addressed all operational cost increases in similar ways. Some employers had well-planned systematic procedures in place, while others responded to increases as they arose.

Despite these differences, the consultations confirmed that employers consider all aspects of the business performance when accommodating increased wage expenditure – whether proactively or reactively. Therefore, it is important to consider that the reported strategies described below are generally not exclusively the result of wages costs. **In particular, the influence of increased wage costs on employers' actions cannot be viewed independently of broader economic pressures that also influence employers' behaviour in many ways.** For this reason, the following section considers employers' responses to operational pressures (including wage increases) broadly:

'The changes on the labour is not that much. It might be \$1000 across the board ... It is not a major [cost], you know. The whole place doesn't shut down just because there is a price increase. It is gradual. You change your prices because of other price increases. Food has increased by 40 per cent across the board. There are other factors, so that is just one factor of the business. Electricity is more expensive. Gas is more expensive. Flour is 70 per cent more expensive. So there's all those sorts of issues.' [Employer, interviewee, AFS, small, Queensland, stage one]

'When the economy is going well it is far easier to cover extra wage costs, as sales are more buoyant and customers generally spend more, particularly on luxury-type purchases which are more profitable to our business.' [Employer, bulletin board participant, Retail, micro, South Australia, stage one]

'In busy periods, wage decisions are of no real concern.' [Employer, bulletin board participant, ASS, micro, Adelaide, stage one]

Stage two and three consultations revealed a far stronger inclination among employers across industries to implement preventative strategies in order to protect their business from risks presented by the economic situation:

'We personally have not been affected [by the downturn], however, I think this is because we took action prior to being affected.' [Employer, bulletin board participant, AFS, large, Brisbane, stage two]

'It may not affect us as much as we may think. However, there should always be a Plan B. Instant changes would be made then.' [Employer, bulletin board participant, Manufacturing, large, South Australia, stage two]

The consultations revealed some commonalities between businesses in different industries and of different sizes in terms of actions taken to address increased expenses and declining revenue. However, the action taken by employers was often broader, including attempts to increase productivity, general cost cutting as well as reducing staff costs. These strategies are described in more detail below (adjustment variables as they relate to labour costs are summarised in Section 2.2.2 Business adjustment variables: labour costs in context):

Increasing productivity

Employers attempted to increase productivity in various ways:

Marketing strategy, diversification and pricing

In stage two more employers reported developing and implementing marketing strategies as a means of increasing revenue. These strategies were often developed in an attempt to protect businesses from declines in revenue – even by employers who had not (yet) been affected. There was a sense that many markets were in the process of change as consumers became personally affected by the economic situation. As a result, many employers saw benefit in adapting their marketing strategy to appeal to a less affluent market. The strategies took various guises, including launching promotional campaigns, revising product and service offerings, and changing pricing accordingly.

While in previous consultations increasing prices was often viewed by employers as an effective and easily implemented measure, in this consultation, participants were particularly mindful of how customers would respond to this adjustment. Many employers felt that an increase in revenue as a result of higher prices would be offset by a decline in custom. Those participants already experiencing a decline in demand ruled it out altogether. Indeed, stage two consultations revealed a greater inclination to decrease prices as a means of encouraging sales – with an emphasis on maintaining or even increasing turnover:

'I had to put up my prices to compensate for the increased cost to our weekly wage bill. My customers didn't like it one bit.' [Employer, bulletin board participant, AFS, medium, Sydney, stage one]

'As people become more careful of how much money is going out, there will be a need to reduce profitability, to drop the dollar price of items on a menu, [the] bottle of wine etc ... Or more businesses will go to one rep to get a larger discount therefore [forsaking] quality to ensure quantity is achieved. This may mean that many of the desired brands or names are no longer seen on menus as the percentage of gain is in the minority.' [Employer, bulletin board participant, AFS, small, Adelaide, stage one]

Increasing the productivity of staff

Increasing the productivity of staff was also commonly mentioned. This was implemented in various ways, including investment in staff training and implementation of 'rewards' and bonus systems as a means of encouraging staff:

'We do wine training every month for certain staff and we are doing more cuisine training with the chefs. That's to improve productivity, and also to make the staff more involved and more willing to make an effort.' [Employer, bulletin board participant, AFS, small, Adelaide, stage one]

'I have employed a factory assistant to cover basic tasks and general housekeeping duties in the factory, so the apprentices have more time on the tools and with the tradesmen. The quicker they are skilled and confident, the faster we can use them on site.' [Employer, bulletin board participant, Manufacturing, medium, Brisbane, stage one]

Conversely, reducing training was also mentioned as a cost-savings measure.

Cost cutting

Cost cutting was an increasingly normal practice among employers in stage two and three consultations and not necessarily triggered by an increase in expenses. Variations of this adjustment included:

Cutting non-essential costs

Many employers were cutting non-essential costs, and had been doing this for some time:

'The last few years have been good so we have had the luxury of new equipment, vehicles, etc, as desired. Now we have deferred new equipment orders, and [are] trying to get the most from our consumables and eliminate all waste. We have changed our phone plans, electricity retailer, etc., to reduce costs.' [Employer, bulletin board participant, ASS, micro, Adelaide, stage one]

'I can and have always made every effort to save on spending where ever possible. We recycle what we can, minimise wastage and are consistently working on improving efficiencies.' [Employer, bulletin board participant, Manufacturing, medium, Brisbane, stage one]

Cutting costs more broadly

This was mentioned by employers in a more difficult financial situation. They mentioned cutting back in any and every way possible, including changing suppliers and moving premises.

Postponing non-essential tasks

Many employers in this consultation had postponed non-essential tasks out of concern about the economic situation.

Employers working more themselves

This was often reported, particularly among employers in small to medium businesses, and owner/employers:

'We are personally working increased hours to get the work done at the least wage cost possible.' [Employer, bulletin board participant, AFS, small, Victoria, stage one]

'The owner has just been put out a lot by the increase in wages. And we're [managers are] more accessible to her. And more responsibility is put on us to make sure the wages

stay down. Not rostered on as such, just made responsible for making sure everything's okay, so I'm required to be here.' [Employer, bulletin board participant, AFS, small, Adelaide, stage one]

Reducing staff costs

As reported in Section 2.2.2, many employers reduced staff costs to accommodate increased expenses. Making changes to staffing appeared to be more commonly reported than in previous consultations despite being considered a more 'extreme' adjustment. Generally, changes to staffing were more viable for businesses with large workforces; businesses with fewer employees had little flexibility to reduce staff costs. Many participants were mindful that employees reacted negatively to changes in staff hours, and so some employers avoided making these changes unless absolutely necessary.

Employers often tried to redistribute hours in various ways before making positions redundant. This included:

- cutting staff hours;
- reducing the number of staff per shift; and
- reducing staff hours attracting overtime and penalty rates.

Redundancies were generally made when other options had been exhausted. Casual positions were generally terminated before permanent positions. Some participants emphasised that making permanent positions redundant could be costly, and involved complicated legal procedures.

Changes also had to be made to accommodate reduced staff resources. This commonly involved:

- employers personally working an increased number of hours; and
- giving more responsibility to other staff.

Staff costs were also targeted through changes to **recruitment policies**. This often began with the type of staff recruited, for example, only hiring less-costly staff (e.g. juniors) or more flexible staff (e.g. casual staff or staff on contractual agreements). Complete hiring freezes often followed:

'We only have three full-time employees. Each has their fair share of work and each is specialised in some part of their own area. If trade was exceptionally bad we would of course terminate a member of staff and either my husband or myself would do their job alongside our own, as we did for many years when we started the business. Fortunately for us the decline is not at that point yet. We have excellent, reliable staff and would not want to lay off anyone.' [Employer, bulletin board participant, Retail, micro, Queensland, stage two]

George*

George owns a small restaurant in Melbourne. He has one apprentice chef, and the other staff are waiters, employed on a casual basis on award rates. He'd like to employ more full-time staff, but the economic situation has made that difficult. Business has dropped by about 45 per cent since September. He supports having minimum wages in Australia, but any increase in wages is difficult at the moment:

'Every increase in wages has an impact, basically, because I cannot always [with an increase in wages], I can't put up my prices more just because of that. Simply because it's the economic downturn I can't do that anyway. So I'm restricted with that right now, and it causes me a lot of problems.'

George has tried to decrease costs by introducing a smaller menu and offering cheaper cuts, and is thinking about transforming the restaurant into more of a café.

He hasn't cut staff yet but will consider it in the future if things don't improve.

[Employer, bulletin board participant, AFS, micro, Melbourne, stage one]

* Name changed

Business life cycle

As outlined in Section 2.2.2 and in research on employer responses to minimum wage adjustments, individual business owners consider a range of factors when responding to increasing costs or decreasing revenues. Some businesses react to change ('Responders') while others proactively plan for change ('Planners').

It was evident in this consultation that employers from older (family) businesses, those who had the experience of overcoming challenging economic circumstances in the past, were approaching the current situation with greater confidence and potentially a more sophisticated approach to adjustments than those from younger, growing businesses. The employers from older businesses were more considered in their assessment of their business performance relative to past years, and weighed up public mood and customer sentiment against what they were actually experiencing. These employers were generally prudent and cautious in preparing themselves for future impact, and thus were taking a staged approach to responding. Overall, more experienced owners felt that they would 'see it through'. These employers felt confident they had a stable business model or sustainable product that has been proven over years of operation. They had a lower level of debt or were free of establishment costs from the early days of setting up the business. Importantly, these operators had survived downturns before:

'Yeah, in the 90s and the 80s and in the 70s when interest rates went up and everything like that. I mean, yeah, we've been through it all before. We've gone through winter months when we haven't had any work ... We do know it'll come back and we're fortunate in that we don't owe any money to anybody, so we can just cruise along.'
[Employer, follow-up interview, Manufacturing, micro, Western Australia, stage three]

Industry findings

The specific types of action planned or implemented varied – reflecting the viability, ease and potential effect of different measures for individual businesses. Overall, employers adjust those variables within their control that they think will lead to an improvement in business performance. The level of effect is assessed in both positive and negative terms. Employers weigh up positive effects on business performance against negative effects on staff wellbeing, workplace environment and/or the quality of output. Different adjustment variables assume different levels of control and effect for individual businesses on this basis, depending on the factors described in Section 2.2 Employers and labour costs.

The following section of this report explores the nature of differences according to industry. Findings from this consultation are compared to those from the *Employer Responses to Minimum Wage Adjustments* research,³ conducted by TNS Social Research for the Australian Fair Pay Commission in May/June 2008 and published in August 2008.

Note: ANZSIC 1993 industry classifications were used for the *Employer Responses to Minimum Wage Adjustments* reporting and ANZSIC 2006 industry classifications have been used for this report.

Accommodation and food services

Employers in Accommodation and food services generally had high proportional labour costs, high numbers of casual staff and were generally operating in highly competitive markets. Participants in the *Employer Responses* research tended to describe implementing a great range and number of strategies designed to deliver holistic improvements in profitability. This finding was supported by the consultations conducted for the 2009 Minimum Wage Review.

Reported adjustments strategies focused on reducing staff hours and reducing the number of staff per shift, as well as employers personally working increased hours and increasing the responsibilities of staff. Adjustment to staffing was generally considered quick and easy to implement and had an immediate effect on operational expenses. Some employers attempted to redistribute hours across their casual staff before reducing staff numbers, often out of concern for the welfare of their workers.

In contrast to findings from the *Employer Responses* research, few employers considered that increasing prices was a viable strategy in the current economic conditions. In 2008, many employers saw pricing as an obvious way to counter increased labour costs, although it was less frequently implemented by participants than considered as an option.

3 TNS Social Research, *Employer Responses to Minimum Wage Adjustments*, report commissioned by AFPC, 2008, Section 5.3.

Mitchell*

Mitchell runs a 3.5-star hotel in Sydney employing 11 casual and nine permanent staff. The business has been experiencing a steady decline in occupancy since around September 2008.

Mitchell has implemented a series of operational measures since the occupancy levels first started to drop. He began by assessing his suppliers, finding that he could get reductions from about 60 per cent of them, and switching accounts from the remaining 40 per cent of suppliers. Next he reduced stock levels so that they were purchasing only on an as-needed basis. He was also looking for discounts wherever possible. He also introduced a performance-based scheme for staff, with some success.

As occupancy levels declined further, Mitchell started to target pricing. The 4-star and 5-star operators had dropped their prices, making it difficult for his hotel to compete. In December, rates were reduced from around \$145 per night to \$118 per night for early 2009. This meant that the business would run at a loss, but at least revenue would continue to come in.

Mitchell had a good relationship with his staff, so was reluctant to make changes to staffing. By early 2009, though, he felt that he had no other option. He spread the cuts across the casual workforce and his permanent staff had to take on more responsibility. He also began to work six days a week.

As at April, the hotel is at 70 per cent occupancy compared with an average of 93 per cent the same time last year. Mitchell thinks the business will survive, but he's very concerned about the future. From what he's read, the economy is unlikely to improve until 2011 and he doesn't feel that there's much more that he can do, apart from continuing to monitor costs carefully. He doesn't see any scope for cutting staff hours further, and he's determined not to do this anyway. [Employer, bulletin board participant and follow-up interview, AFS, small, Sydney, stages two and three]

* Name changed

Retail

Many employers in the Retail industry were in a similar situation to those in Accommodation and food services: employing high numbers of casual staff and operating in highly competitive markets. In the 2008 research, retailers often reported increasing prices in response to wage increases. However, many participants in the 2009 Minimum Wage Review consultations were experiencing declining revenue, so increasing prices was not seen as a viable option. In fact, many employers in this industry were considering or implementing short-term price decreases to maintain or increase turnover. These employers focused on cutting the hours of casual staff and reducing the numbers of staff per shift. Increasing productivity through staff training was also a commonly implemented strategy.

Karen*

Karen manages a chain of furniture, homeware and giftware stores, based in Victoria, Canberra and Adelaide. There were originally nine stores in all, seven that were company owned, and the remaining two were franchises. The business employs around 20 people, with half employed casually and the others permanent.

Karen believes the economic slowdown has been extremely hard for the Retail industry, and their business has been badly affected. At the end of 2008, sales started slowing, prompting Karen to introduce sales specials and change their product lines. They had considered renovating several of the shops, but those plans were shelved. They also invested in training, hoping that this initiative would boost sales.

The situation worsened over Christmas, and Karen knew that staffing would need to be reassessed, given that labour costs are the business's biggest expense. She could see that staff were feeling nervous and felt that it was important to be as transparent as possible. Therefore, she called an open meeting to discuss the options. Following the meeting, it was decided that casual hours would be cut, but that the reduction should be shared by all staff so that no one employee was too severely affected.

Sales continued to fall in January and February, and Karen felt she had no other option but to let some staff go. As they were already understaffed in the shops, it was decided that three support staff would be laid off: a bookkeeper, a computer service coordinator and someone helping out in the warehouse. These were all roles that Karen felt other staff could take on quite easily. She didn't think the redundancies would be too disruptive. She was, however, concerned about the staff that were affected, and offered two of them part-time roles in other areas of the business while the other was allowed to remain in her position until she found another job.

By March, Karen decided to close one of the stores; it was an outlet run by casual staff, but it wasn't sustainable. Another of their stores based in Canberra was badly affected when other retailers pulled out of the mall where the store was situated, resulting in a slowdown of customer traffic. This store was merged with another store, bringing some of the staff across.

Karen remains determined to get through the downturn. She doesn't know how long it will last and doesn't like to think about it. She feels like she still has a few options remaining. There are still different marketing strategies to try, and she is watching her costs closely. She knows that it's going to be tough and she knows that a lot of people are finding it hard – she gets applications from job seekers daily. Still, she believes it's important to remain optimistic. [Employer, bulletin board participant and follow-up interview, Retail, small, Melbourne, stages two and three]

* Name changed

Manufacturing

Employers in the Manufacturing industry tended to be warier of losing their staff, who were often more skilled, and who were thought to be in short supply. Employers in this industry tended to focus on implementing marketing strategies and cutting costs in other ways, but in some cases they absorbed the loss instead. In relation to staffing adjustments, employers tended to redistribute hours across the workforce to avoid making permanent positions redundant. Many of these businesses were facing intense competition from businesses using offshore labour, so were not prepared to increase prices. The Manufacturing industry was not investigated in the 2008 *Employer Responses* research.

Geraldine*

Geraldine and her husband have had a manufacturing and services business for over 30 years. They manufacture gates and tubular steel fencing for swimming pools, and supply and erect fences. The business employs one permanent and one casual employee.

Geraldine is convinced that the downturn is real but their business has not been greatly affected. She is preparing and taking action as sales begin to slow marginally. She is confident that the business will be okay given that they have a 12-month government contract and have been in business for a very long time. At the end of 2008, sales were strong and they hired the two staff that they have now; one was to replace an employee who retired last year, and the other was to help with ongoing work. It was very tough to find good employees given that many workers had been employed at the mines. She values good employees and in the past has had staff work for her for long periods of time, investing in training them:

'We had one employee for 20 years and he left us towards the end of last year. We had one previous to that for seven years or something, but these two are both new. For a while there we weren't really happy about having to train anybody else because there wasn't a lot [of applicants] around and everybody that had any nous was away working at a mine or something like that, and there was only unskilled people left behind.'

By March 2009 Geraldine had noticed that orders were down and stock in the yard was not at the usual volumes. She thought they were about 10 per cent down on last year, but last year 'was a really good year'.

Geraldine and her husband are considering taking June off for a holiday and to just do things like maintenance around the sheds, etc. They are considering asking their two employees to take a break during this time. She says they may consider taking on work they would normally decline if things don't pick up to the usual volume after that.

While she is unclear about the length and overall effect of the downturn on her business, she is keen to keep her employees because she has experienced the difficulty in getting good staff and has been investing in training her new employees. Letting them go will be something she may have to do eventually, but she is planning to avoid this by taking other actions first. These include increasing advertising, varying the work the business takes on, and taking holiday leave in slow times:

'We will [try to keep them on through the downturn]. If anybody goes it'll be the younger one, the 17-year-old, but we hope to hang onto them both. We will give them holidays and see how we get on.'

[Employer, bulletin board participant, Manufacturing, micro, Western Australia, stage two]

* Name changed

Health care and social assistance

The Health care and social assistance industry functions in a different legislative and funding environment than other industries, and this largely influences the approaches of employers to managing wage increases. Interestingly, the strategies adopted by employers in Health care and social assistance were very similar to those identified in the *Employer Responses* research, supporting the hypothesis that this industry has not been as strongly affected by the economic downturn as other industries. Many employers were continuing to experience strong demand for their services, and so were better placed to increase pricing if required. This strategy was often complemented by attempts to increase productivity (often through training), and by reviewing or implementing marketing strategies. Adjusting staff numbers was generally ruled out because of the difficulty of finding and retaining suitably qualified staff.

Rita*

Rita works in a managerial role at a hearing device clinic. The clinic is performing 'exceptionally well' at present, which Rita believes is partly due to increased demand associated with the construction of several retirement villas nearby. Nevertheless, they have been monitoring industry and business performance to ensure they avoid the effects of declining economic conditions. The business is now marketing to a broader range of community groups in order to expand its market reach and share:

'We could foresee that we needed to broaden our market so as not to be affected by the economic conditions.'

The business implemented the increase to minimum wages in October, with wages increasing for all employees. This increase in labour costs was accommodated by increasing prices for hearing tests and accessories, in conjunction with improving the quality of service by introducing a new client-servicing program. On balance, Rita feels the impact of these adjustment strategies was positive. Medicare increased the rebate for hearing tests at about the same time that the business increased prices, which minimised the net effect of that price increase. Rita advised that profitability and quality of customer service have increased:

'The impact of this was on profitability, but also on quality, as we are now offering our clients a much better two-year after-care program. So even though the company benefits, so does the client.'

Rita says she would not consider adjustment strategies aimed at reducing labour costs, since these would undermine the business strategy of providing high-quality service. She rejected the idea of replacing senior staff with junior, less-experienced staff, and thought that cutting wages would negatively affect morale and consequently decrease productivity:

'I would not consider implementing staff cuts or wages as this would lead to a bad feeling throughout the company, and therefore have a negative effect, and probably decrease productivity.'

[Employer, bulletin board participant, HCaSA, micro, Brisbane, stage two]

* Name changed

Administrative and support services

Many of the employers in Administrative and support services had also been affected by skills shortages over the past few years so they were determined not to lose staff if this could be avoided. Instead, these employers focused on cutting costs in various ways. They often mentioned increasing productivity through staff training, and implementing marketing strategies to adapt to the changed needs of their customer base. Again, these employers were resistant to implementing price increases in the current economic environment. The Administrative and support services industry was not investigated in the 2008 *Employer Responses* research.

Gary*

Gary runs a small computer repairs and installation business based in Brisbane. He started the business about 15 years ago and now employs 14 staff. The business has both low-skilled and high-skilled staff, and all are employed permanently.

Gary first became concerned about the downturn when he read about the potential impacts on Australian businesses in June 2008. He immediately decided to shelve plans for expansion, put a freeze on hiring and started cost-cutting wherever possible. He also revised his marketing strategy, introduced discounted pricing schemes, and made sure that staff were following-up on sales and encouraging more business wherever possible.

By the time sales actually started to slow noticeably in February, he felt there wasn't much left to do but continue as they were, and he kept thinking of innovative ways to maintain or increase revenue. He started selling equipment on eBay that was no longer required.

Gary has noticed a huge change in the labour market. Whereas once he found it difficult to get skilled staff, he is now receiving many unsolicited applications on a daily basis. He mentioned that his own staff seemed a lot more nervous, too:

'As everyone knows, work volume is down. The main question was, 'At what point are you going to start sacking?'

Some staff had started overcharging clients in an effort to boost sales, which was making clients resentful.

Gary was conscious of retaining staff because he believes it will be important to have them when sales pick up again. Even so, he thinks that redundancies will be a real possibility in the coming months, and if they continue to lose money, this will be the only remaining option to maintain the viability of the business *'at break-even point, when income equals outgoing; that's it, it's pretty much decided. Trying to pick that point is difficult.'*

In April, sales had noticeably improved. However, Gary didn't see this as a sign of recovery, attributing it directly to the 30 per cent tax break that the government was giving small businesses on all purchases. He'd been using this as a promotional tool himself. Overall, Gary was still being as cautious as he was back in February and, was still pessimistic about the future:

'I think we're in for a real rough ride. I don't think things have started here in Australia.'

[Employer, bulletin board participant and follow-up interview, ASS, small, Brisbane, stages two and three]

* Name changed

6. Minimum wages in the current environment

Key findings

- As in previous consultations, there was general support for the existence of minimum wages.
- There was greater consideration in this year's consultation of the effect an increase in minimum wages would have on business performance and jobs. Recommendations from most participants were more considered than observed in previous consultations.
- Most employees and job seekers thought that minimum wages should increase due to rising living costs.
- The stage two consultations with employees and job seekers revealed heightened awareness of the need to consider employment effects of wage changes, given the changing economy. However, views about adjustments to minimum wages typically focused on the personal effects of the adjustment in meeting their living expenses.
- Employers were varied in their recommendations for changes in minimum wages. Previously, the majority of employers had recommended an increase, whereas the recommendations made in stages two and three varied considerably according to how strongly affected employers had been by the downturn, and their performance expectations for 2009.
- The prevailing view was one of 'wait and see' in recognition of the pace at which the circumstances are changing and uncertainty about the performance of the economy in 2009 and beyond.

6.1 Attitudes and understanding of minimum wages

While the understanding of minimum wages among all participants (and particularly employees and job seekers) was limited, the societal importance of minimum wages was not questioned. As found in previous consultations, the existence of minimum wages was seen to play a critical role in Australian society in a number of respects:

- **Protecting the vulnerable** – The existence of a Federal Minimum Wage was thought to ensure that the most vulnerable people in society were able to survive and live with dignity:

'Yes, especially for our Indigenous people who have trouble. At least you know they're not going to get exploited like they did a long time ago. Yes, I guess with foreigners too, that can't speak English very well, if we didn't have that, then they could be exploited too.'
[Low-paid, focus group participant, 30–44 years, Queensland, stage one]

- **Protecting wage standards** – It was further contended that if no Federal Minimum Wage was imposed, a downward spiral in wage rates would ensue as those looking for work offered themselves for less and less in order to obtain a job, creating a sub-class of 'working poor', as seen in the America:

'The cost of living needs to be a primary factor so you don't end up with what they have in America, a working poor. You work and earn not enough to get you above

the poverty line. A minimum wage needs to allow for sufficient housing, food, clothing.' [Low-paid, focus group participant, 21–29 years, Melbourne, stage one]

- **Ensuring an adequate standard of living for all** – The Federal Minimum Wage was thought to change in accordance with the cost of living, thereby enabling people to have a 'minimum' lifestyle:

'There'd definitely be cost of living, cost of child care, tax rates, interest rates. Basically, all the minimum things that are going to come out of your pay cheque have to be the things that have to be considered for the minimum wage, because you've got to be able to cover your minimum life expenses. So whereas before, it was for people who sort of try to have more in their lifestyle, this is just covering your minimum sort of things.' [Unemployed, focus group participant, 21–34 years, Brisbane, stage one]

Links between minimum wage increases and inflation (and consequential cost-of-living increases) were mentioned by fewer participants in stage two consultations compared to previous consultations:

'I can understand why people want to earn more money, but increasing wages has a flow-on effect. Businesses cannot absorb it, so they in turn increase prices to cover their costs. At the end the consumer has no extra money in their pocket.' [Employer, bulletin board participant, Retail, micro, Queensland, stage one]

While most employers recognised the importance of minimum wages for society, they were also conscious that the cost of wages directly affected their capacity to make a profit and their ability to employ people. Nonetheless, while increases to minimum wages were sometimes criticised, the existence of minimum rates was supported by the significant majority.

6.2 Considerations and expectations for 2009

Employers, employees and job seekers were uncertain about what 2009 holds, not just from a personal point of view, but also from a wider societal perspective. While there were varying levels of personal concern about the economic situation in Australia, the prevailing sense was that 'only time would tell' what its full repercussions would be. Perhaps as a consequence of this uncertainty, when participants were asked to play the role of the Commissioners (to decide whether to increase or decrease minimum wages or leave them as they are), there was a more muted response than in past consultations. Participants recognised the uncertainty of the economic situation, and therefore the difficulty of the wage decision:

'I understand that it could mean less jobs but, you know, if we're looking at it from the economist's point of view, if there's less jobs but still the same amount of money being distributed out, that people are still spending that same amount of money, so, I don't know, yeah. I was hesitant because I know that it means less jobs, but realistically I know that we can't afford to not raise them, in my opinion.' [Unemployed, follow-up interview participant, Brisbane, 21–29 years, stage two]

'Well, I think every year, as you say, is a different year and this year especially is going to be different again purely because of the world recession. Because we won't know probably for another quarter how it's really going to affect us.' [Low-paid, focus group participant, 45+ years, Brisbane, stage one]

'It's hard if you have to pretend you are one of them [the Commissioners] and then do that [make a decision] and know that I am impacting on someone else's life at the end of

the day – they are the ones saying “this is what you are entitled to get”. I couldn't do it.’ [Unemployed, focus group participant, 21–34 years, Sydney, stage one]

In the interim report, it was conjectured that as the wider repercussions of the economic downturn become better known by the general public, focus on wage rates would shift away from personal dollars-in-hand, and individuals' remuneration or employment benefits received, toward job security:

*‘There's economic stuff going on. I think increasing minimum wages is only going to **slow jobs growth to a grinding halt**, which is not really what you're looking for during a global recession. I hate that phrase because it gets touted around so much on the news. As much as cost of living is increasing – particularly for those that are likely to be on minimum wages – often they're not homeowners, so reductions in interest rates aren't benefiting them terribly. **Having no job is probably worse.**’ [Low-paid, focus group participant, 21–29 years, Melbourne, stage one]*

*‘**Australia is in a better position than most countries at the moment** – apart from maybe Norway and a few Scandinavian countries. I don't see why there should be increases, especially **during the hard times at the moment.**’ [Low-paid, focus group participant, 21–29 years, Melbourne, stage one]*

*‘I would keep it the same ... if you increase it, then just a little bit. I reckon if you increase it too much obviously **people are going to lose jobs** and at least if it's the same, you definitely have a job.’ [Low-paid, focus group participant, 21–29 years, Perth, stage one]*

Many employees and job seekers continued to focus on the implications of minimum wage adjustments to their personal circumstances. However, in stages two and three a shift from a narrow, personal focus to considering the wider implications was evident. This was most obvious among participants who had attributed changes in their employment circumstances to the downturn:

‘I think we are all finding it hard to live with the wages at the moment, but if minimum wages are increased, more people will be fired because business can't afford to pay an increased wage.’ [Low-paid, bulletin board participant, 18–20 years, Western Australia, stage two]

‘I don't think there is a need for a change in minimum wages. I think the government would be silly to raise them at the moment, considering Australia is already putting itself in a lot of debt and a lot of companies are struggling financially. I don't think it would be fair to put them up at the moment. Maybe in the future when the economic climate starts to settle down, but not at the moment.’ [Low-paid, bulletin board participant, 18–20 years, New South Wales, stage two]

6.2.1 The 2009 Minimum Wage Decision

In consultations conducted for the 2007 and 2008 Minimum Wage Reviews, employees and job seekers expressed almost universal agreement for the need to increase minimum rates. In the most recent consultations, across all stages of the consultation program, the overwhelming majority still thought that minimum wages should increase – citing increased living costs. The positive stimulative effects of increased consumer spending power were highlighted as an additional benefit of a wage increase in the current economic environment:

'I would argue that the cost of living has increased over the past few years and the minimum wage in Australia doesn't appear to have increased at the same rate. Families are struggling to make ends meet, and even a small increase in minimum wages can make all the difference to the household budget.' [Low-paid, bulletin board participant, 21–25 years, Brisbane, stage two]

'What needs to be remembered is that recessions happen when people stop spending. This causes business to contract and jobs to be lost. The best way out of a recession is to get people spending, and the best way to do that is to make them feel secure in their jobs and give them money to spend. The people with the least money will be very likely to spend anything they are given because they have a fair degree of unmet need. I do also agree that the extra could be through tax reductions, but people on really low incomes sometimes don't pay that much tax in the end, so there's little scope to help that way.' [Low-paid, bulletin board participant, 50–60 years, New South Wales, stage two]

'It should just go up, so everyone can keep up with rentals and petrol prices and get to work and actually have a place to live so they can go to work.' [Low-paid, focus group participant, 21–29 years, Queensland, stage one]

'I would say the minimum wage will have to rise to deal with the average costs of living: renting, mortgage payments, etc. It will also have to be dramatically more than the dole in order to give people the incentive to get a job.' [Unemployed, focus group participant, 35+ years, Melbourne, stage one]

However, there were some employees who thought that current economic conditions – or the threat of negative impacts in the (near) future – warranted a plateau of minimum rates, or a more moderate increase than recommended in past consultations. One of the reasons given for showing restraint was the likely effect on job availability. Some participants asserted that people would rather trade off an increase in their pay rate to retain their employment. Generally it tended to be participants who had experienced a change in their employment situation who were most conscious of the relationship between wages and employment levels:

'In the economic situation minimum wages shouldn't increase because employers might not be able to afford it. Our living costs are increasing so the wages shouldn't decrease. I think minimum wages should not change.' [Low-paid, bulletin board participant, 21–25 years, Perth, stage two]

'Where would our bosses from small businesses get the money from? We all have to work together, and try to 'put our bit' in. Maybe with no increase we can save some jobs from being made redundant. We are all on the same boat and it is going to be a hard ride for all of us. So, hang in there; help each other as much as you can; this situation is not going to last forever.' [Low-paid, bulletin board participant, 35–49 years, Perth, stage two]

The economy was also a significant concern for many employers when considering minimum wage adjustments to be made in 2009. Employers asserted that increased wages would be increasingly difficult to manage in the current economic climate. While they empathised with the challenges faced by low-paid employees, many employers felt that the disposable income of low-paid employees could be maintained or increased through approaches such as cuts in interest rates and/or taxes, or further stimulus payments, and that minimum wages should remain at their current levels. This view was most commonly expressed by employers in the Retail and Accommodation and food services industries, particularly those who had been affected by the slowing economy:

'Basically we need time for the economic dust to settle. Any changes will further unbalance labour markets. Tax cuts and interest rate drops should be enough to sustain reasonable standards of living.' [Employer, bulletin board participant, Manufacturing, large, South Australia, stage two]

'Well, my advice really would be not to increase the wages this year and to keep it stable. Running, I guess, on the assumption that unemployment is increasing, a lot of people's revenues are decreasing, a lot of segments are hurting ... So I guess looking at all of those factors it's probably not a good idea this year to really increase the expense when people are losing revenue; just to throw in an extra expense on top of this is not advisable, that's for sure.' [Employer, interviewee, AFS, large, Sydney, stage two]

'The minimum wage should be just that. When the minimum wage is low, it allows business to be flexible during fluctuations in demand without having to reduce and then re-hire full-time staff. It is far easier to have a lower base with performance incentives that are achievable during normal trading. During periods when the business is doing well, staff are also doing well. And when business is slow, a lower base helps maintain continuity of staff and overall reduces fear, and the advent of negative sentiment. A wage increase will lead to either higher unemployment or higher inflation if passed on, or possibly both.' [Employer, bulletin board participant, Retail, small, Melbourne, stage one]

Conversely, several employers indicated that minimum wages should increase in 2009. This group mostly consisted of participants who were either not (yet) affected by the downturn, or optimistic about the future. Many of these employers felt that minimum wages should increase, or increase moderately, in order to allow low-paid employees to 'make ends meet'. Like employees, some employers also asserted that increasing minimum wages would have a positive, stimulative effect on the economy:

'I would push for an increase in minimum wages. The economy needs a boost and an increase in wages would increase spending in Australia and therefore help save jobs or create jobs. I came to this conclusion as it seems the most logical. The cost of living is forever rising and I don't think wages are increased in line with this.' [Employer, bulletin board participant, HCaSA, medium, Brisbane, stage two]

'I feel that employees do need to have an increase, especially for those who are on award rates compared to salary. Our standard of living is getting higher especially [with] increasing petrol prices, rent and utilities. It's so hard for a minimum wage earner to survive.' [Employer, bulletin board participant, Manufacturing, small, Adelaide, stage two]

'Although I am in business to achieve the best profit achievable, I still appreciate that for the minimum wage earner it is still a struggle for them to make ends meet. Plus, if staff are on an acceptable wage they will not be searching for alternative work all the time. If they are receiving fair pay then they will remain longer in the position they have.' [Employer, bulletin board participant, ASS, small, Perth, stage one]

Even some of the employers experiencing negative effects of the downturn were wary about reducing the wages of the most vulnerable workers. Very few employers recommended minimum wage decreases. Participants who did suggest a decrease asserted that lower minimum rates supplemented by performance bonuses would reward efficiency and productivity as well as increasing employers' levels of control. However, this was the minority view:

'[Reducing the minimum would] stimulate small business growth. It would increase employment ... increase the level of service in the hospitality industry across Australia. And it would give employers greater control over pay rates.' [Employer, bulletin board participant, ASS, medium, Sydney, stage one]

As detailed in Section 2 Employment and competitiveness, employers identified a number of ways in which they would potentially respond to increased financial pressure in the current economic climate, in particular, to increased labour costs. In the first instance, employers indicated they would become more aware and more cautious about their actions. For example, they would closely monitor financial indicators such as sales figures and turnover and take corrective action in response to any evident decline. Broad corrective actions were either to decrease expenses or increase revenue using the adjustment variables identified.

6.2.2 Perceptions of the year ahead

In previous consultations, the focus of minimum wage adjustment considerations for employees had almost exclusively been on keeping up with cost-of-living increases. While that sentiment was still very strong, there was also a distinct undercurrent of concern about what could be on the horizon, and whether the economic situation could worsen.

The stage two and three consultations confirmed that employers, employees and job seekers are increasingly accepting the reality of the economic downturn in Australia, and are conscious of its effects or potential effects on their personal situation. For employees and job seekers, concern about economic conditions appears to have translated into a greater appreciation for job security than observed in previous consultations. Nonetheless, concern about costs of living remain, and continues to overshadow concern about job security among participants whose working situations have not changed. Moreover, limited understanding of economic issues (including how and why the economy in Australia is in decline) acts as a significant barrier to making the connection between adjustments to minimum rates and employment effects.

As previously reported, participants who had personally experienced the effects of the slowing economy (whether through reduction in working hours, redundancy or increased difficulty in finding employment) were more mindful of job security and more appreciative of the relationship between rates of pay and employment. This was most clearly demonstrated in stage two consultations by junior employees whose hours had been cut. These employees recommend that minimum wages remain unchanged.

The research highlights how quickly views of the economic situation change. While in stage one the majority of participants were uncertain or not convinced that the 'global economic crisis' had reached Australia, by stages two and three there was widespread acceptance that the economy was slowing. Personal concern about its effects have also shifted quickly, with evidence of change in the attitudes of some participants in the short period between stages two and three.

Perceptions of minimum wage rates seem to move in accordance with these shifting attitudes. If the economic downturn continues, it is likely that more and more employees and job seekers will personally experience its effects. As this occurs, the balance between concern about costs of living and concern about job security is likely to continue to shift, and appreciation of the role of wage rates in employment levels is likely to strengthen. Perceptions of changes to minimum wage levels may therefore become increasingly conservative.

As was the case for employees, employers who were experiencing the effects of the slowdown most strongly tended to recommend that minimum wages remain unchanged. These increases were seen as fairly minor for some participants. However, employers with large numbers of low-paid employees are sensitive to any change, particularly when revenue is declining.

Employers in the Retail and Accommodation and food services industries tended to be experiencing the effects of the downturn more strongly than those in other industries. Many had already made adjustments to staffing as a result of declining revenue. It was these employers who recommended that the minimum wage remain unchanged. Employers in other industries, while anticipating (in some cases preparing for) decline, had not yet experienced the effects of a slowing economy to the same extent. These employers recommended that minimum wages be increased.

Appendix A Fieldwork specifications

Fieldwork schedule and recruitment specifications

The consultations were conducted in three stages. The scope and structure of each is detailed below.

Stage one

Stage one of the research comprised a series of 16 group discussions, three online discussion forums, and seven face-to-face in-depth interviews.

Focus groups

The table below shows the location and structure of each targeted focus group.

Table 1: Location and structure of focus groups

| Location | Participant characteristics | Age group |
|--------------------------|-----------------------------|-----------|
| Mackay (regional Qld) | Low-paid | 21–29 |
| Mackay (regional Qld) | Low-paid | 30–44 |
| Brisbane | Unemployed | 21–34 |
| Brisbane | Low-paid | 45+ |
| Melbourne | Unemployed | 35+ |
| Traralgon (regional Vic) | Unemployed | 35+ |
| Melbourne | Low-paid | 21–29 |
| Melbourne | Low-paid | 45+ |
| Berri (regional SA) | Low-paid | 45+ |
| Berri (regional SA) | Low-paid | 21–34 |
| Berri (regional SA) | Unemployed | 21–34 |
| Sydney | Unemployed | 21–34 |
| Sydney | Low-paid | 30–44 |
| Perth | Unemployed | 35+ |
| Perth | Low-paid | 21–29 |
| Perth | Low-paid | 30–44 |

The composition of the focus groups is presented below:

Low-paid employees (10 groups)

- All participants had a basic pay rate (excluding any penalty rates, shift allowances, tips, bonuses, casual loadings) from *paid* employment, of \$18.42 per hour or less (\$700 per week for a 38-hour week, or \$36,400 per annum). Groups included as many participants earning the minimum wage (\$14.31/hr) as possible.
- The make-up of groups in terms of those with and without dependents varied according to age-group. For instance, the majority of younger participants did not have children, and older participants generally did have dependent children.

- A minimum of two participants per group indicated a preference for working more hours.
- Groups included a mix of employees in terms of full-time and part-time hours worked.
- Groups included a mix of those in permanent and casual employment arrangements.
- Groups included a mix in terms of the length of time employees had been with their current employer.
- Business service or industry was varied to ensure that a mix was represented across each location.
- Groups did not include apprentices or trainee employees.
- Recruitment was prioritised to include employees who had received an increase to their pay rate in October.

Unemployed job seekers (six groups)

- All participants were short-term unemployed (within the last six months) and actively looking for work.
- In their last position, all participants were on a basic pay rate (excluding any penalty rates, shift allowances, tips, bonuses, casual loadings) from *paid* employment of \$18.42 per hour or less (\$700 per week for 38-hour week, or \$36,400 per annum).
- All indicated a willingness to accept a position that pays at or below \$18.42 per hour.
- Groups included a mix of the occupations and industries sought by the unemployed participants.

Interactive online discussion forums (bulletin boards)

Three discussion forums of up to 14 participants were conducted, across the following audiences:

- n = 1 with junior apprentice and trainee employees aged 15–20 years, located across five states, including a mix of occupations, industries and working arrangements;
- n = 1 with employers of low-paid workers representing Business services, Manufacturing, and Accommodation and food services across five states; and
- n = 1 reconvened with employers from consultation research conducted in May 2008, representing Accommodation and food services, and Retail across six states.

Junior, trainee and apprentice employees

Board participants included:

- a mix of full-time students and full-time employed;
- a minimum of four participants who had indicated a preference for working more hours; and
- participants who were in a mix of living arrangements, including those living independently and those living with their parent(s).

Employers of low-paid workers

- All participants were responsible for recruitment and/or setting pay rates in the business.

- Employers represented a mix of business sizes: micro, small and medium.
- The majority of participants had attempted to recruit in the past six months, were currently recruiting, or intended to recruit in the next six months.
- The majority of participants set pay rates in business via Pay Scales/awards and paid at minimum levels (including the Federal Minimum Wage).
- There was a limited number of participants who employed staff on collective or enterprise agreements or AWAs and common law contracts.
- There was a mix of employers in terms of the life of the business, including some who had been in business less than five years and some in business more than five years.

In-depth interviews

Seven face-to-face interviews with employers were undertaken, comprising:

- n = 3 employers in the Retail industry;
- n = 2 employers in the Accommodation and food services industry;
- n = 1 employer in the Manufacturing industry; and
- n = 1 employer in the Administrative and support services industry.

Interviews were conducted in the employer's workplace or a suitable venue, and were 45 minutes to one hour in duration. All participants were responsible for setting pay rates in the business, and set wages via pay scales. Their workforces ranged from one employee to 90 employees.

Interviews were conducted in Sydney, Berri and Mackay.

Stage two

Stage two of the consultations comprised a series of six online discussion forums, sixteen face-to-face in-depth interviews and seventeen follow-up telephone interviews.

Interactive online discussion forums (bulletin boards)

Six discussion forums of up to 16 participants were conducted across the following audiences:

- n = 1 with employers of low-paid workers representing Administrative and support services, Manufacturing and Health care and social assistance across five states;
- n = 1 with employers of low-paid workers representing Accommodation and food services and Retail across five states;
- n = 1 with low-paid employees working in Administrative and support services, Manufacturing, and Health care and social assistance, including a mix of age-groups, across five states;
- n = 1 with low-paid employees working in Accommodation and food services, and Retail, including a mix of age-groups across five states;
- n = 1 with junior employees aged 15–20 years, located across five states, including a mix of occupations, industries and working arrangements; and
- n = 1 with a mix of unemployed and underemployed people across five states.

Employers of low-paid workers (n = 2)

- All participants were responsible for recruitment and setting pay rates in the business.
- Employers represented a mix of business sizes – micro, small and medium.
- The majority of participants had attempted to recruit in the past six months, were currently recruiting, or intended to recruit in the next six months.
- The majority of businesses employed workers paid award wages (including minimum wages) that are directly affected by decisions made by the Commission.
- There was a limited number of participants who employed staff on collective or enterprise agreements or AWAs and common law contracts.

Junior employees (n = 1)

- Board participants included a mix of full-time students and full-time employed.
- The majority were paid at junior, apprentice or trainee wage rates.
- Participants were in a mix of living arrangements, including those living independently and those living with their parent(s).

Low-paid employees (n = 2)

In each board:

- there was a mix of those employed on a permanent basis and those employed casually;
- at least four participants were working full-time;
- at least three participants were working at or below the Federal Minimum Wage (\$14.31 per hour; \$544 for a standard 38-hour week; \$28 276 p.a.);
- at least four had dependent children; and
- there was a mix of age-groups.

Unemployed and underemployed job seekers (n = 1)

- At least five participants were recently unemployed (within the last three months).
- At least five participants had had their hours cut within the last three months.
- At least four had dependent children (Q13).
- There was a mix of age-groups.

In-depth interviews

Stage two of the consultations also involved a series of sixteen face-to-face in-depth interviews conducted with employers of low-paid workers, comprising:

- n = 4 employers in the Retail industry;
- n = 5 employers in the Accommodation and food services industry;
- n = 2 employers in the Manufacturing industry;
- n = 4 employers in the Administrative and support service industry; and
- n = 1 in the Professional, scientific and technical services industry.

All participants were responsible for setting pay rates in the business and set wages via pay scales. Their workforces ranged from one to 90 employees.

Interviews were conducted in the employer's workplace or a suitable venue, and were 45 minutes to one hour in duration. They were conducted in Sydney, Perth, Melbourne, Geelong, Mackay, Darwin and Canberra.

Follow-up interviews

In addition, for stage two of the public consultation research, 17 follow-up telephone interviews were conducted with participants from stage one. This involved a total of eight low-paid employees, four unemployed people, and five employers, representing a mix of age-groups and industries, located in five states.

Mini-group discussions

The table below shows the location and structure of each targeted mini-group discussion conducted with Indigenous participants.

Table 2: Location and structure of mini-group discussions

| Location | Participant characteristics | Age group |
|----------------------|-----------------------------|-----------|
| Sydney | Low-paid females | 21–40 |
| Sydney | Low-paid males | 41+ |
| Sydney | Low-paid females | 41+ |
| Sunshine Coast (Qld) | Low-paid males | < 20 |
| Sunshine Coast (Qld) | Low-paid females | < 20 |
| Sunshine Coast (Qld) | Low-paid males | 21–40 |

All groups were facilitated by Indigenous researchers, the same gender as the group participants.

All participants were in the workforce to some degree. They were a mix of casual, contract, part-time and full-time employees. Some difficulty was experienced in recruiting males aged 40 years and over, as unemployment rates in this group are very high, and those males of this age who are working tend to be earning more than the minimum wage.

Stage three

Stage three consultations comprised a series of nineteen follow-up telephone interviews with participants from stages one and/or two. This included 15 employers and four low-paid employees, representing a mix of industries, locations and age-groups.

Notes

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