



regional economic  
development corporation

MACKAY & WHITSUNDAY

**MACKAY WHITSUNDAY REGIONAL ECONOMIC  
DEVELOPMENT CORPORATION**

***Analysis of low paid sectors &  
non-monetary retention strategies***

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## IDENTIFYING LOW-PAID INDUSTRIES AND OCCUPATIONS

There are different approaches to defining low-paid industries and occupations. One method, recently used by McGuinness et al (2007), defines a specific hourly wage as a 'low' rate and examines the number and proportion of employees who are paid at or below that rate. This approach can be used to identify industry and occupational concentrations of low-paid work among full-time and part-time employees.

Another approach is to look at relative earnings between industries and occupations and to define the low-paid with reference to which groups are paid less than the national average.

Applying the common methods of identifying low-paid work yields six industries that can be defined as low-paid:

- Agriculture;
- Wholesale trade;
- Retail trade;
- Accommodation, cafes and restaurants;
- Cultural and recreational services; and
- Personal and other services.

## CHARACTERISTICS OF LOW-PAID WORKERS

- around 61.1 per cent of low paid employees live in couple households, 15.6 per cent are single adults and 7.6 per cent are lone parents;
- low paid employees are more likely to be employed in service industries such as Retail trade, Health and Community services, Property and business services, and Accommodation, cafes and restaurants. Together, these industries accounted for 53.3 per cent of all low paid workers;
- low paid workers are more likely to be less educated with around 35.2 per cent having completed Year 11 education or below, compared with 21.9 per cent of all employees;
- low paid workers are much more likely to be less skilled, with 41.3 per cent in the bottom 3 scales of the Australian Standard Classification of Occupations (ASCO) compared with 21.5 per cent of all employees;
- low paid workers are more likely to live in regional areas;
- low paid workers are more likely to be women who are working in part-time jobs – this group accounted for 35.4 per cent of all low paid workers; and
- low paid employees are also more likely to work in the private sector and in small firms.

**TABLE 1: CHARACTERISTICS OF LOW PAID WORKERS**
**Table 6.1: Characteristics of low paid workers (2005) (percentage of total unless otherwise specified)**

	All Low Paid Employees	Low Paid Male	Low Paid Female	All Employees
<b>Gender</b>				
Male	40.5			50.0
Female	59.5			50.0
<b>Age</b>				
21 to 30 yrs	36.2	43.2	31.5	24.7
31 to 44 yrs	29.6	24.4	33.0	38.5
45 yrs plus	34.2	32.3	35.5	36.8
<b>Country of Birth</b>				
Born in Australia	81.7	83.5	80.5	79.2
Born in other countries	18.3	16.5	19.6	20.8
<b>Household Type</b>				
Partnered	61.1	54.8	65.4	68.7
Partnered with dependents	26.9	19.1	32.1	37.1
Lone Persons	15.6	23.1	10.6	14.4
Lone Parents	7.6	1.7	11.7	6.4
Lone parents with dependents	6.7	1.7	10.1	5.1
<b>Education Attainment</b>				
Degree or Post Graduate	14.3	12.2	15.7	30.2
Certificate/Diploma	33.8	34.7	33.3	34.1
Year 12	16.7	19.1	15.1	13.9
Year 11 or below	35.2	34.0	36.0	21.9
<b>Location</b>				
Major City	56.3	57.8	55.3	65.7
Inner Regional Australia	25.8	23.4	27.4	22.9
Outer Regional Australia	14.6	15.8	13.7	9.6
Remote and Very Remote Area	3.3	3.0	3.6	1.9
<b>Employment</b>				
Full-time	55.2	76.9	40.5	73.2
Part-time	44.8	23.1	59.6	26.8
Fixed-term Contract	8.3	9.6	7.4	9.8
Casual	47.7	37.3	54.8	17.2
Permanent	43.6	52.8	37.3	72.7
Private Sector (for profit)	77.3	82.8	73.5	62.8
Public Sector (Govt GBE or Stat Authority)	11.8	7.3	14.8	28.2
Small Business (0 to 19 employees)	56.0	56.8	55.5	34.7
Medium Business (20 to 99 employees)	25.3	26.1	24.7	31.2
Large Business (100 employees plus)	16.3	14.5	17.5	33.1
Avg Tenure with current employer (years)	5.7	6.5	5.1	8.1
Avg Years in current occupation (years)	7.9	8.4	7.5	10.7
<b>Occupation</b>				
Managers & Administrators	2.1	2.6	1.8	6.3
Professionals	9.6	10.2	9.2	26.5
Associate Professionals	11.0	12.2	10.1	13.9
Tradespersons	9.4	17.8	3.6	9.4
Advanced & Intermediate Clerical & Service	26.6	9.9	38.0	22.3
Intermediate Production & Transport	10.3	20.1	3.6	8.4
Elementary Clerical, Sales & Service	13.5	8.3	17.1	6.5
Labourers & Related Workers	17.5	18.8	16.6	6.6
<b>Industry</b>				
Agriculture, forestry & fishing	7.0	9.9	4.9	2.7
Mining	0.1	0.3	0.0	1.7
Manufacturing	8.4	13.2	5.2	11.8
Electricity, gas & water	0.4	1.0	0.0	0.9
Construction	3.7	6.9	1.6	4.5
Wholesale trade	4.6	5.9	3.6	4.6
Retail trade	17.8	16.8	18.4	9.4
Accommodation, cafes & restaurants	9.8	7.9	11.0	3.9
Transport & storage	3.7	5.9	2.3	4.2
Communication services	0.7	0.7	0.7	2.1
Finance & insurance	1.5	0.0	2.5	4.2
Property & business	9.9	9.6	10.1	9.5
Government administration & defence	2.3	2.0	2.5	6.8
Education	7.4	5.6	8.5	12.7
Health & community services	15.8	5.9	22.5	14.7
Cultural, recreational, personal & other services	7.1	8.3	6.3	6.2

Source: Household Income and Labour Dynamics Australia (HILDA) Survey Release 5.0, February 2007.

## AUSTRALIAN RESEARCH CONDUCTED INTO EARNINGS MOBILITY

Australian research into wage mobility of low paid workers closely resembles international experience.

- Research conducted by the Melbourne Institute for the Commission's 2006 Minimum Wage Review concluded that almost 60 per cent of workers earning around the Fulltime Minimum Wage (FMW) who were working full-time in 2001 made the transition to above minimum wage employment by 2004.
- Similarly, around 44 per cent of workers earning around the FMW who were working part-time in 2001 made the transition to above minimum wage employment.
- Just under a quarter of low paid workers who were working part-time in 2001 were still in low pay in 2004.
- A further 24 per cent were not in the labour force, and 6 per cent were unemployed.

### ***THE MELBOURNE INSTITUTE (UNIVERSITY OF MELBOURNE)***

The Melbourne Institute is currently conducting research into the relationship between low pay dynamics and welfare dependency as part of DEWR's Social Policy Research Services Agreement. Initial findings from the Melbourne Institute research using four waves of HILDA data show that:

- 53.8 per cent of workers earning up to two-thirds of median weekly earnings in 2001 progressed to higher paying jobs by 2004 while 23.1 per cent remained in a low paid job.

The Melbourne Institute also conducted research into the extent of wage movements beyond the low pay threshold. The authors found that:

- around 10.3 per cent of workers earning less than two-thirds median earnings in 2001 earned between two-thirds median and three-quarters median earnings in 2004.
- A further 28.5 per cent earned between three quarters median earnings and median earnings while 15.1 per cent earned in excess of median earnings. In other words, 43.6 per cent of low paid workers in 2001 were earning in excess of three quarters of median earnings by 2004.
- Around 17.8 per cent of workers who were low paid in 2001 were jobless in 2004.

In summary, the Melbourne Institute's results confirm that:

- over a half of all low paid workers make the transition from low to higher pay within one to two years while less than a quarter are in low paid jobs three years later.
- more than 80 per cent of low paid workers are still in employment three years later.

## FACTORS CONTRIBUTING TO LOW PAY

The Melbourne Institute conducted economic modelling to establish the factors that most contributed to residing within the low pay group. The authors found that all of the following factors were found to be statistically significant in explaining a higher or lower probability of being in low pay:

- if people were in a low paid job in the previous year they were 3.7 per cent more likely to be in low pay in the following year.
- if people were unemployed in the previous year they were 6.1 per cent more likely to be in low pay in the following year.
- if people lived in a major city they were 2.1 per cent less likely to be in low pay.
- men were 2.8 per cent less likely to be in low pay than women.
- higher education attainment contributed to decreased likelihood of being in low pay.

## CHARACTERISTICS OF LOW PAID WORKERS WHO MAKE THE TRANSITION TO HIGHER PAID WORK

The characteristics of low paid workers who make the transition to higher paid work differ substantially from the characteristics of low paid workers who remain in low paid jobs. Low paid workers who make the transition to higher pay are more likely to be:

- younger;
- better educated;
- working in medium and large businesses; and
- living in metropolitan areas.

## PATHWAYS TO HIGHER PAY

HILDA data (Melbourne Institute) show that there are a number of paths that low paid workers take to progress to higher pay. These pathways range from staying in the same job and being rewarded by an employer for accumulating skills and experience, to moving to a higher paid job in a different occupation or industry.

- Around 53.9 per cent of low paid workers moved to higher pay by remaining in the same occupation while 46.1 per cent moved to higher pay by changing occupation.
- Just over a third (36.5 per cent) of low paid workers moved to higher pay by staying in the same occupation and in the same industry.
- Just over a quarter (25.3 per cent) made the transition to higher pay by changing both their occupation and their industry.

## WAGE TRANSITIONS OF LOW PAID WORKERS BY INDUSTRY

The following analysis presents the wage transitions of low paid workers and concentrates on nine key industries which together account for over 80 per cent of low paid workers. Among the key findings were:

- low paid workers in Education and Manufacturing recorded the highest transition rates from low pay to higher pay (62.2 per cent and 61.9 per cent respectively); and
- lower transition rates were recorded for low paid workers in the combination of Property & Business Services and Finance & Insurance (42.4 per cent) and Agriculture, forestry and fishing (43.9 per cent).

**TABLE 2: WAGE TRANSITIONS OF LOW PAID WORKERS BY INDUSTRY**

**Table 6.7: Wage transitions of low paid workers by industry**

Industry	% of all Low Paid Workers in 2001	% who had moved to Higher Pay by 2005
Retail trade	18.0	48.8
Health and community services	11.8	50.9
Cultural, recreational, personal & other services	9.4	47.7
Manufacturing	9.0	61.9
Agriculture, forestry and fishing	8.8	43.9
Accommodation, cafes & restaurants	8.8	53.7
Education	7.9	62.2
Property & business services & Finance & insurance	7.1	42.4
<b>Total</b>	<b>80.9</b>	

Source: Household Income and Labour Dynamics Australia (HILDA) Survey Release 5.0, February 2007.

Note: Analysis was restricted to only the key employing industries of low paid workers.

## NON-MONETARY RETENTION STRATEGIES

The results of numerous surveys, polls and research studies have indicated that financial reward is not the number-one employee motivator. Various anecdotal evidence reports non-monetary recognition as an important factor in retaining excellent employees and for improving performance.

This is good news for smaller companies who cannot afford to compete in a salary war for the best talent in the market. Non-monetary incentives can have much stronger appeal to prospective employees. Creative use of personalized non-monetary rewards reinforces positive behaviors and improves employee retention and performance. These types of recognition can be inexpensive to give, but priceless to receive.

### SUCCESSFUL NON-MONETARY RETENTION STRATEGIES

According to figures released by Robert Half, nearly half of Australian workers see work-life balance as the key factor in what makes a good employer. Work-life balance is much more important for local workers than the global average. Conversely, workers globally see employer brand and corporate culture as more important than Australians.

Recruitment and Consulting Services Association's (RCSA's) latest remuneration and benchmarking report revealed that non-financial benefits are key to retention strategies. Offering increased pay is only the sixth most popular strategy.

An ASTD report on retention research identified consistent employee recognition as a key factor in retaining top-performing workers. (Jimenez 1999). Nelson (2004) reports research indicating that the type of recognition employees appreciate most is to be recognized by people they work directly for. In fact, 78% of employees indicated that it was very or extremely important to be recognized by their managers when they do good work (Nelson 2004).

The number one choice for recognition is sincere praise given in a timely manner with specific examples. Allen and Helms' (2002) research confirmed the importance of regular expressions of appreciation by managers and leaders to encourage behavior of employees to reach strategic goals; and this was true for each of the strategies they examined.

According to the Strategic Rewards survey by Watson Wyatt ([www.watsonwyatt.com](http://www.watsonwyatt.com)), the three most prized non-monetary rewards were advancement opportunities, flexible schedules, and the opportunity to learn new skills.

Summary of non-monetary benefits:

- extended leave
- flexible working hours
- remote working options
- employee recognition
- advancement opportunities
- opportunity to learn new skills

## **SUPPORTING WOMEN**

A poll by the Heat Group suggests that Australia is lagging behind other countries in terms of its approach to women returning to work. The poll found that 54 per cent of women believe Australian employers have not progressed in the past decade in terms of supporting women with children. While 91 per cent of those quizzed said women are 'completely sidelined' by their employer after returning from maternity leave, 29 per cent said they have no choice but to go straight back to work after having a baby.

Many women return to work in Australia to find they are given more menial positions, their employers' attitudes have changed and they are denied promotions and extra responsibility. Effectively their careers are stopped in their tracks.

## **CASE STUDIES**

### **ENGIN'HEARING'**

Thiess's award-winning *Enginhearing* program was developed at Burton Coal Mine in an attempt to attract female engineers to the workforce using innovative, non-monetary incentives, such as flexible working hours and the option to work offsite via remote access.

Engin*hearing* Program Coordinators advertised their initiative in public places such as childcare centres, shopping centres, schools and market stalls, inviting female engineers to meetings where they could discuss the issues preventing them from returning to the workforce.

Successful candidates are provided with internet access, laptop computers and a home office set up capable of linking the employee to site with the same level of access and functionality enjoyed by those working on site.

HR Superintendant for the Burton Coal mine, Brenda Witt, describes the program as simple, cost-effective and a huge success for both the employer and the employees. She says that the biggest challenge for the program has been instilling confidence the women returning to work after long absences by providing training, mentoring and support to facilitate a successful transition.

### References

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