

# **ABS Wage Data Show Women are the Winners: A Comment**

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## Women in Social and Economic Research

Women in Social and Economic Research (WiSER) is an interdisciplinary research unit that spans two divisions of Curtin University: the Curtin Business School (CBS) and the Division of Humanities. WiSER was founded in April 1999 in response to a growing void, both within the Australian and international contexts, in the gendered analysis of the economic and social policy issues that confront women. As such, WiSER is committed to producing high quality quantitative and qualitative research on a broad range of issues which women identify as impeding their ability to achieve equity and autonomy. The gender perspective generated through the work of WiSER has provided a number of key opportunities to inform the policy debates within numerous government departments. WiSER seeks to further its commitment to providing a meaningful gender analysis of policy through pursuing further research opportunities which focus on women's experiences of social and economic policies within the Australian context. The broad objectives of WiSER include:

- To identify the cases and causes of women's disadvantaged social and economic status and to contribute to appropriate policy initiatives to address this disadvantage;
- To demonstrate the way in which social factors, particularly gender, influence the construction of economic theory and policy;
- To extend current theory and research by placing women and their social context at the centre of analysis;
- To contribute an interdisciplinary approach to the understanding of women's position in society. In turn, this should enable the unit to better reflect the interrelatedness of the social, economic and political discourses in policy and their consequent implications for women;
- To foster feminist research both nationally and internationally;
- To expand linkages with industry;
- To establish and support a thriving Curtin University of Technology post-graduate research community with a common interest in feminist scholarship.

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## I INTRODUCTION

Federally registered individual agreements (known as Australian Workplace Agreements or AWAs) have become an increasingly important feature of the Australian wages system since being introduced in 1996. The Office of the Employment Advocate (OEA) claims AWAs now cover around 8.4 per cent of the workforce.<sup>i</sup>

AWAs were first introduced via *Workplace Relations Act 1996* (Cth). The uptake of AWAs was initially slow. Most individual bargaining initially took the form of unregistered (over-award), common law agreements. Coverage of AWAs significantly expanded following the introduction of *WorkChoices* legislation in March 2006 which amended aspects of the *Workplace Relations Act 1996* (Cth). . Aside from the fact that *WorkChoices* has expanded the coverage of the Federal jurisdiction, by extending the reach of the *Workplace Relations Act 1996* (Cth) to some workers previously covered by the various State statutes, the recent legislative amendments have also encouraged the use of individual bargaining by allowing AWAs to over-ride collective agreements (CA), by removing the no-disadvantage test<sup>ii</sup> and by removing unfair dismissal protections in small (less than 100 employees) workplaces.

A number of commentators established that women would be disadvantaged as a result of the introduction of the *Workplace Relations Act 1996* (Cth).). Similar concerns have now arisen under *WorkChoices* (eg. NFAW, 2007). The concerns draw on a sizeable body of national and international literature highlighting the risks (eg. slower wages growth) for women under decentralised bargaining (eg. Harbridge and Thickett, 2003; Whitehouse, 1992; Rubery, 1992; Blau and Kahn 1992; and Preston and Crockett, 1999).

The question of pay equity is clearly politically sensitive and controversial as evidenced by recent Federal Ministerial media releases on this topic. The most recent release (17 May 2007), *ABS Wage Data Shows Women Are The Winners* attempts to refute claims of a link between rising gender pay gaps and decentralised bargaining.

In this paper we use Australian Bureau of Statistics (ABS) data to revisit the pay equity debate in Australia and explore the link between decentralised bargaining and pay equity.

The remainder of the paper is organised into four sections. The following (Section two) provides a brief discussion of available ABS data and outlines definitional concerns. Section three uses time-series data to shed light on aggregate trends. Section four uses unpublished cross-sectional data to more closely study the link between method of pay setting and the gender pay gap. Finally, section five presents a summary of the data and offers some conclusions.<sup>iii</sup>

## **2 WAGE DATA AND DEFINITIONS**

Notwithstanding the social and economic significance of the industrial relations changes in the last decade and the particular concern as to the link between method of pay setting and employment conditions, there are, surprisingly, few surveys which systematically provide comparative information on earnings and conditions of employment according to the type of employment contract used (see Preston et al. (2006)). There are some notable exceptions, particularly the workplace industrial relations surveys recently conducted in Queensland, New South Wales and Victoria.

### **2.1 ABS Wage Data**

The three main official (ABS) statistical collections on wages and earnings include: *Average Weekly Earnings (AWE) Survey* (6302.0), *Employee Earnings and Hours (EEH) Survey* (6306.0) and the *Labour Price Index (LPI)* (6345.0). Each collection has its strengths and weaknesses (discussed below). The EEH survey reports information in relation to methods of pay setting and permits detailed disaggregation by sex, industry and occupation. This facility provides a considerable advantage over the other two ABS surveys.

The widely used quarterly earnings estimates in the AWE (6302.0) survey do not provide details in relation to earnings within different wage setting jurisdictions or by different employment contract types and, in the absence of estimates for occupational categories do not provide information on trends for workers in some specific types of work. While suited to other uses, such as estimating aggregate changes in average earnings of full-time workers at a national or industry level, the AWE provides limited potential for monitoring the effects of new workplace regulations.

The EEH (6306.0) survey provides significant information disaggregated by the methods used to set wages (e.g. award only, collective agreement or individual agreement). As noted, the ability to disaggregate data in the EEH provides a considerable advantage over some other publications. However, this publication is produced only every two years, using survey data collected in May. The last survey was conducted in May 2006, only a short period after the *WorkChoices* regulations were introduced (in March 2006). Unfortunately, data from the May 2008 survey will not be available until 2009.

It should also be noted that the EEH is a cross-sectional survey and has not been designed for time-series analysis (i.e. comparisons across years). Indeed the ABS cautions against the use of the EEH data for this purpose. Notwithstanding ABS caveats the EEH survey is the main data source used by the Federal Government in its biennial reports on developments under enterprise bargaining. In the absence of any other detailed source the EEH data will, for the foreseeable future, continue as the main vehicle through which developments under *WorkChoices* are benchmarked and monitored over time. Whilst the EEH data includes detailed information relating to earnings it does suffer from other limitations, including a lack of information in relation to the spread of hours worked, wage trade-offs and other employment related conditions.

The LPI (6345.0), like the AWE (6302.0) is suitable for time-series analysis and has the added advantage of monitoring labour cost developments across all jobs and is not limited to particular sectors of the labour market (eg. full-time jobs). The focus of the LPI, however, is on wage costs of 'jobs' rather than positions held by particular individuals. There is, therefore, no available data on the characteristics (eg. sex, qualifications) of individuals occupying particular jobs as this is not the focus of the survey. Similarly, there is no information on the method or arrangements for determining the wages of individuals in particular jobs.

## 2.2 Definitions

Earnings can be measured in a number of different ways and different approaches are used by the ABS to measure and report the data. In the AWE (6302.0) survey the measures comprise 'average weekly ordinary time earnings' and 'average weekly total time earnings'.

Hourly wage data cannot be sourced from this survey. To avoid problems with the absence of data on hours (and thus hourly wages) the sample is commonly restricted to full-timers thus increasing the probability of comparing like with like. The data are reported for all types of employees (i.e. managerial and non-managerial combined). The AWE (6302.0) is a particularly important survey for monitoring developments in male average weekly earnings, a key benchmark indicator. Adjustments to the age pension, for example, are made with reference to movements in male average weekly earnings

When researching the question of pay there is a strong preference to restrict the sample to non-managerial employees (around 10 per cent of all employees). It is generally accepted that arrangements and methods used to determine the pay and conditions of managerial employees are significantly different from non-managerial employees. Historically managerial employees have also been outside the formal award system or other collective systems and thus not affected by changes to the industrial relations system and associated wage fixing arrangements. Managerial employees are defined by the ABS as:

“Employees who are in charge of a significant number of employees and/or have strategic responsibilities in the conduct or operations of the organisation, and usually do not have an entitlement to paid overtime. Includes professionally qualified staff who primarily perform managerial tasks in conjunction with utilizing their professional skills. Working proprietors and working directors of their own incorporated business are regarded as managerial employees.”

Whilst most managerial employees would be classified within the Group I ASCO (Australian Standard Classification of Occupation) code – Managers and Administrators, it is clear that some professionals and other occupational classification groups may also contain managerial employees. Employees who do not fit the definition of ‘managerial’ are classified as non-managerial. When reporting on non-managerial employees (eg. in its publications or via the release of unpublished data) the managerial employees are simply removed from each occupational and industry group.

Whilst most social researchers follow and apply the ABS definition of non-managerial employees there are alternative definitions in use. The Office of the Employment Advocate (OEA) for example, in 2004 biennial reports on developments under enterprise bargaining, defined non-managerial employees as comprising all ASCO groups with the exception of managers and administrators. Managerial employees in other ASCO groupings (eg.



Professionals, Tradespersons) remained a part of the OEA sample of non-managerial employees.

The need for a shared understanding of the definitions and samples applied is illustrated by reference to Table I below. When the OEA definition is used, the data shows the common ratio of average hourly total earnings for AWAs and collective agreements (CAs) is equal to 129.1 per cent, suggesting an AWA hourly earnings premium of 29.1 per cent in 2002. When the ABS definition of non-managerial employee is utilized the AWA/CA premium is reduced to 12.2 per cent. The OEA have used their alternative definition of non-managerial employees to support several claims, one of them being that “female employees on AWAs earned 32 per cent more than their counterparts on CAs” (OEA, 2004: 99). It is clear that this definition leads to inflated outcomes relative to more standardised ABS measures. For effective monitoring purposes it is essential that there is a shared understanding of definitions and terms, such as the term non-managerial employee.

**Table 1: Applying Alternative Definitions of Non-managerial Employees. Average hourly total earnings by agreement type, May 2002**

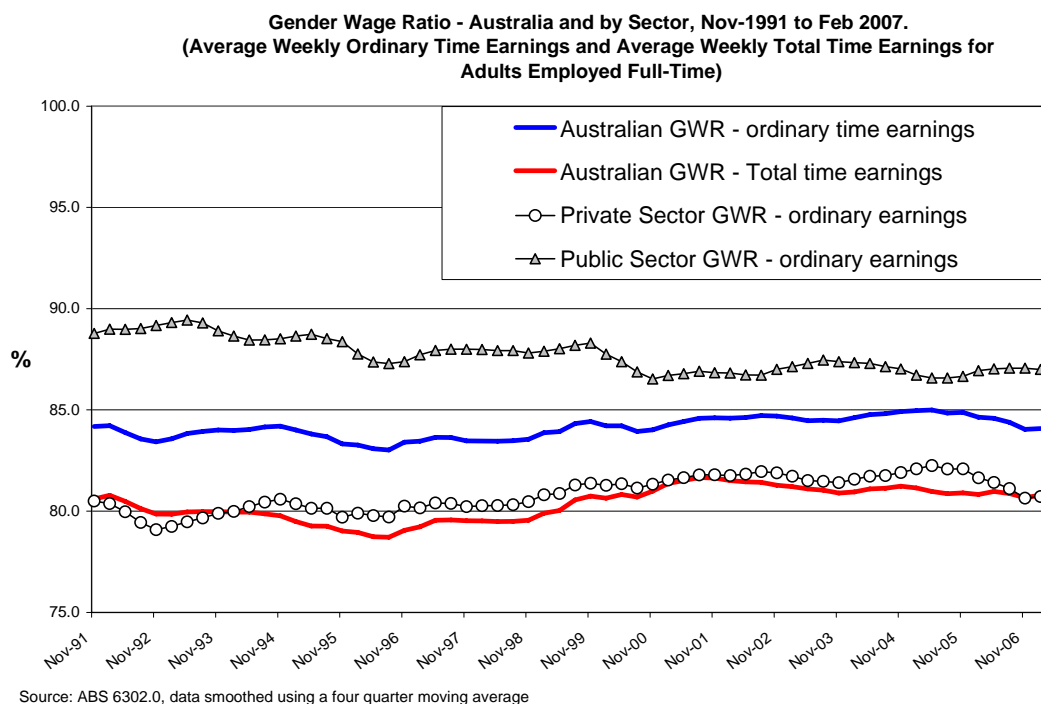
	OEA Definition of Non-managerial		ABS Definition of Non-Managerial		OEA	ABS
	Federal registered CA (\$)	Federal registered AWAs (\$)	Federal registered CA (\$)	Federal registered AWAs (\$)	AWA/CA (%)	AWA/CA (%)
Professionals	29.1	31.7	28.6	31	108.9	108.4
Associate professionals	26.7	35.5	25.2	31.4	133.0	124.6
Tradespersons and related workers	23.7	21.9	23.7	21.9	92.4	92.4
Advanced clerical and service workers	22.7	26	22.7	26	114.5	114.5
Intermediate clerical, sales and service workers	19.2	20.2	19.2	19.7	105.2	102.6
Intermediate production and transport workers	21.5	21	21.5	21	97.7	97.7
Elementary clerical, sales and service workers	15.2	17.6	15.2	17.6	115.8	115.8
Labourers and related workers	18.6	16.2	18.6	16.2	87.1	87.1
All occupations	23.4	30.2	22.1	24.8	129.1	112.2
Women	21.3	28.1	20.4	24.7	131.9	121.1
Men	25	31.5	23.4	24.9	126.0	106.4

Source: The OEA data are from the DEWR/OEA 2004 Report. The ABS data are unpublished data purchased from the ABS

### 3 TRENDS IN THE AUSTRALIAN GENDER WAGE RATIO

Figure 1 uses data from ABS 6302.0 to show trends in the Australian gender wage ratio. For comparative purposes the sample is restricted to adult men and women employed full-time. Two sources of earnings data are used; average weekly ordinary time earnings and average weekly total time earnings. The latter includes payments for overtime work. A four quarter moving average is used to smooth the data (this generates 'year to date' averages). As at February 2007 the gender wage ratio (using the year to date average) was equal to 84.1 per cent (using ordinary time earnings) and 80.8 per cent (using total time earnings).<sup>iv</sup>

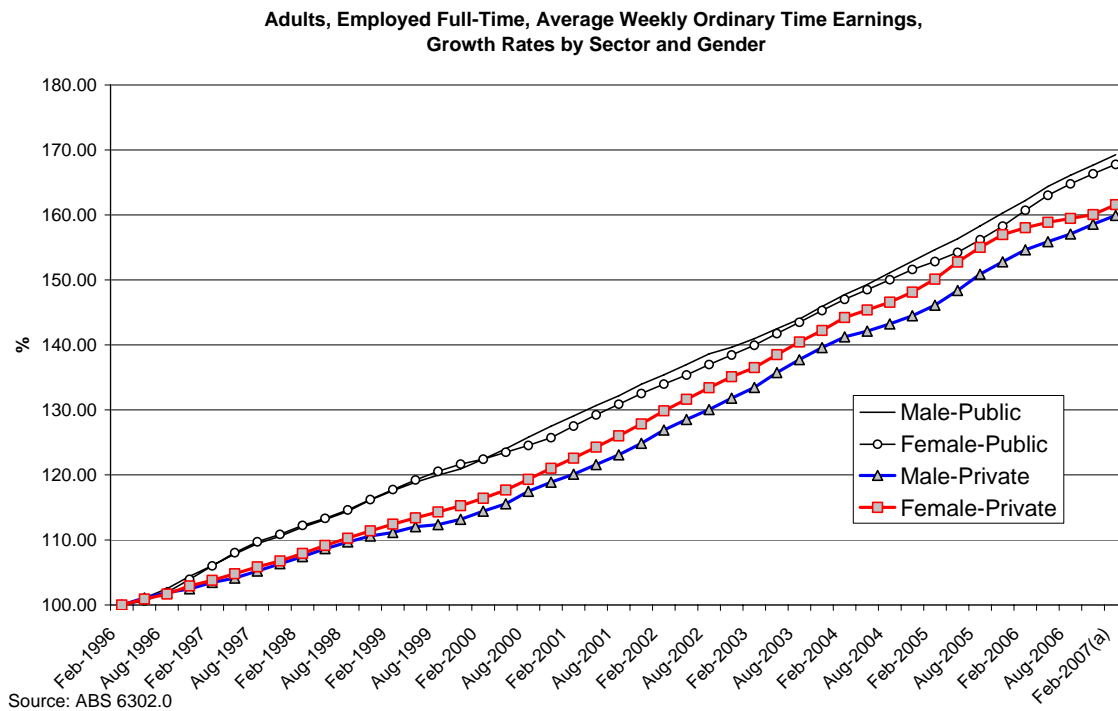
Figure 1



At the national level the data shows relative stability in the gender wage ratio amongst adults employed full-time. Although there has been some convergence since 1996 (0.6 percentage points), the change is not statistically significant. The recent deterioration in the ratio (observed since February 2006) is also not statistically significant.

It is clear that differences prevail between the public and private sectors. As at February 2007 the gender wage ratio (for adults employed full-time, measured using ordinary time earnings) was equal to 87 per cent in the public sector and 80.7 in the private. The convergence in the private sector gender wage ratio (since 1996) would appear to owe more to slower wages growth amongst men in private sector employment (see Figure 2).

Figure 2



The data above are for adults in full-time employment. Although women now comprise just under half (44.6 per cent) of the workforce, unlike men a significant proportion of employed women (43.7 per cent) are in part-time employment (the corresponding share for men is 14.6 per cent). An analysis of the gender pay gap in the full-time labour market is thus likely to provide an incomplete picture.

There are, unfortunately, no time-series data available through which to study yearly trends in the pay of part-time employees. One way around this is to use data from the ABS Labour Price Index (6345.0) survey. These data do not (as noted above) permit an analysis on the basis of sex although it is possible to follow trends in particular occupations and industries. As the labour market exhibits significant gender segregation, these data allow comparisons between industries and occupations that are highly feminised with those that are highly masculine.

Figure 3 below shows patterns of ordinary time hourly earnings growth (all occupations) for industries where the rate of growth has been below the industry average. At the bottom of

the industry distribution are Accommodation, Cafes and Restaurants and Retail Trade – two highly feminised industries. These industries are also often referred to as ‘minimum condition sectors’; i.e. industries where conditions of employment have been determined by the minimum conditions determined in awards (since March 2006 the responsibility of the Australian Fair Pay Commission). In the year to March 2007 the nominal wage increase in these two industries was 2.69 and 2.90 per cent, respectively. Over the same period the CPI moved by 2.4 per cent delivering workers in these industries a real wage increase of 0.29 and 0.5 per cent, respectively.

Figure 4 presents corresponding information for occupations. The two worst performing occupational groups include elementary clerical, sales and service workers followed by labourers and related workers. Likewise, many of the individuals holding jobs in these occupations will be employed on minimum conditions and are therefore particularly affected by the changes introduced under *WorkChoices*. The nominal wage increases in these occupational groups in the year to March 2007 were equal to 3.45 per cent (Elementary Clerical Sales and Service Workers) and 3.88 per cent (amongst Labourers and Related Workers). The overall occupational average was 4.05 per cent.

Whilst the data presented in this section do not, at an aggregate level, lend support to the hypothesis that women have been the “losers” under decentralised bargaining it is similarly difficult to find support for the claim that “ABS wage data show women are the winners” as has been suggested by the Minister for Employment and Workplace Relation (Hockey, 2007). Changes in the gender wage ratio between 1996 and 2007 have been marginal (and insignificant) in the full-time labour market. Indeed, in the full-time private sector labour market there is early evidence of a widening gender pay differential (figure 1). The emergence of this gap may relate to increased adoption of AWAs in low skilled / low paid industry sectors – sectors such as Accommodation, Cafes and Restaurants and Retail Trade; sectors where women are often over-represented. The following section provides further insight into gender pay gaps in these minimum condition sectors.

Figure 3

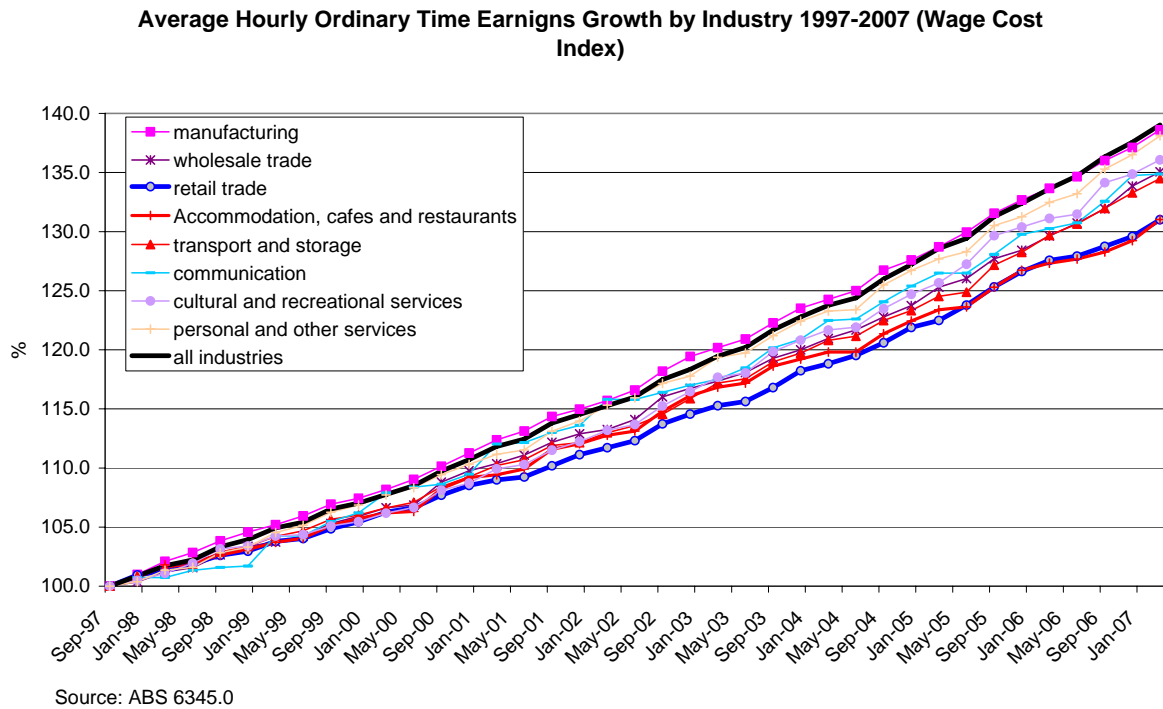
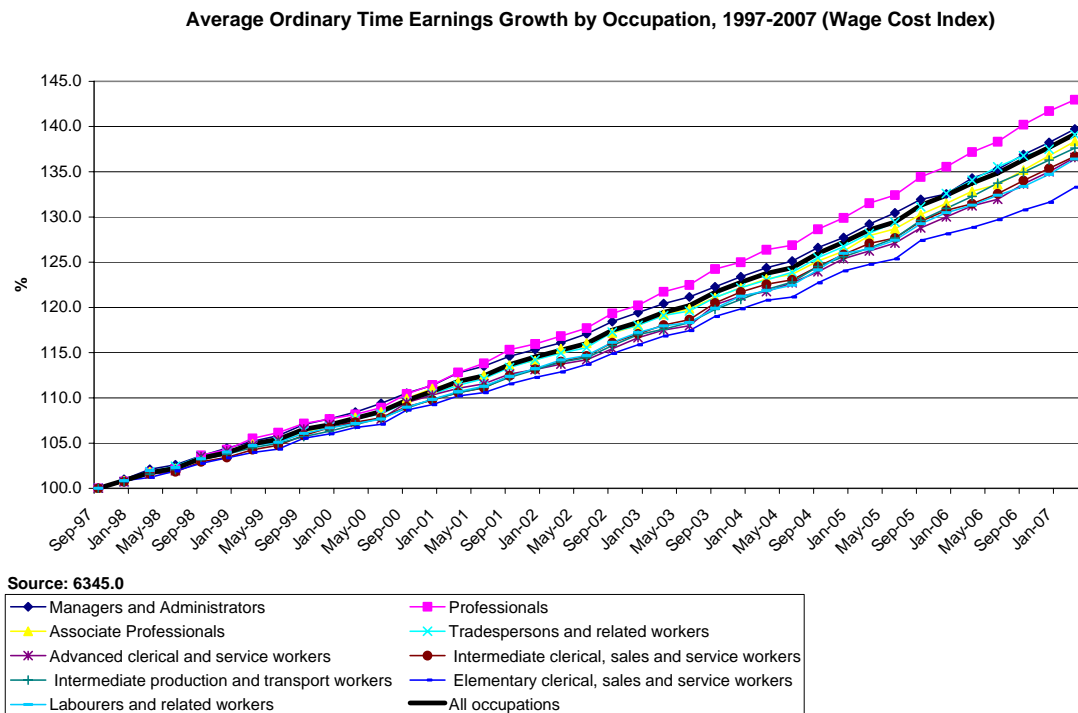


Figure 4



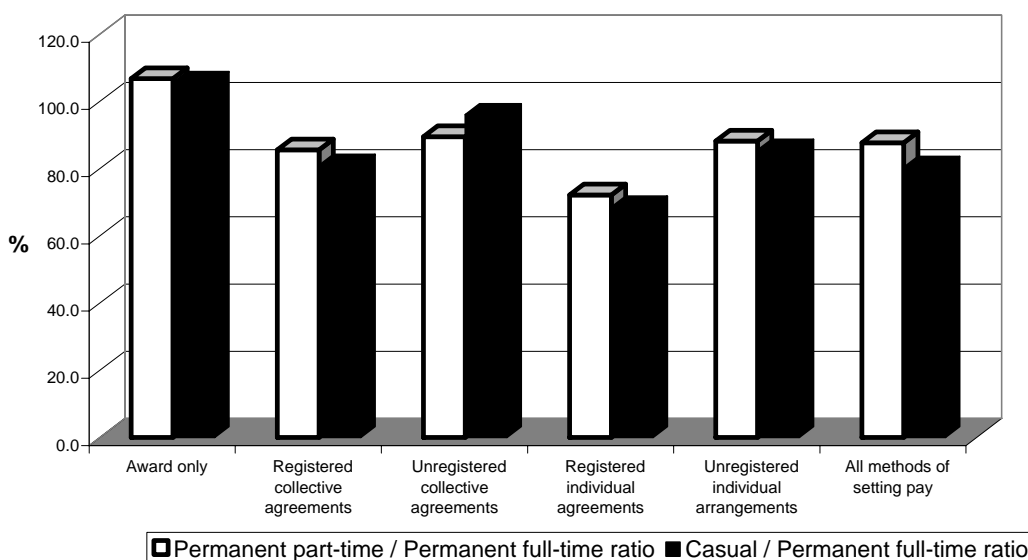
#### 4 THE GENDER WAGE RATIO, PART-TIME WORKERS AND METHOD OF PAY SETTING

In this section hourly wage data for non-managerial employees from the EEH (6306.0) survey are used to provide further insight into the question of gender pay equity. As earlier noted the use of hourly data allows us to include part-timers in the analysis. The EEH data also permit disaggregation by method of pay setting.

Data in figure 5 show that, at May 2006, amongst those covered by collective agreements the part-time (permanent) / full-time (permanent) hourly earnings ratio was equal to 85.6 per cent (a gap of nearly 15 per cent). Amongst those covered by registered individual agreements the casual / permanent full-time earnings ratio was equal to 68.6 per cent. Part-timers (and casuals) are clearly at a disadvantage when it comes to agreement making.

Figure 5

Average Hourly Cash Earnings Ratios by Employment Type and Method of Pay Setting, May 2006. (Adult, non-managerial employees)



Source: ABS 6306.0

Tables 1 and 2 provide summary measures of the gender wage ratios for those covered by AWAs and those covered by CAs. The tables are disaggregated by industry and occupation, respectively, and pertain to non-managerial employees. The removal of managerial employees from the data has also reduced the size of the reported gender wage ratio (when compared with comparisons based on ABS 6302.0). At May 2006 the non-managerial gender wage ratio (measured using average ordinary hourly cash earnings) was equal to 89.2 per cent. In Accommodation, Cafes and Restaurants the ratio was equal to 99.5 per cent, suggesting that women and men in this sector are both subject to the inferior wage outcomes noted above. In Mining the gender wage ratio is equal to 77.9 per cent reflecting the gender imbalances in this sector.

Of perhaps more interest is the variation in the size of the gender wage ratio between AWAs and CAs. At an aggregate (all employee) level the gender wage gap is clearly wider amongst those covered by AWAs than it is amongst those covered by CAs, equal to 84.9 and 92.0 per cent, respectively. These findings are consistent with those studies which show smaller gender pay gaps under collective bargaining (eg. Harbridge and Thickett, 2003).

**Table 1: Gender Wage Ratios Within AWAs and CAs by Industry, May 2006. Average Hourly Ordinary Time Earnings, Non-managerial Employees.**

	GWR-AWA	GWR-CA	GWR-Total
B Mining	77.8	85.9	77.9
C Manufacturing	91.1	88.0	90.5
D Electricity, gas and water supply	73.9	81.6	80.8
E Construction	83.2	85.8	84.7
F Wholesale trade	87.4	78.9	86.8
G Retail trade	90.5	95.7	88.8
H Accommodation, cafes and restaurants	97.3	92.3	99.5
I Transport and storage	88.5	90.8	85.8
J Communication services	77.5	90.6	86.2
K Finance and insurance	72.6	78.6	75.1
L Property and business services	78.3	87.7	83.1
M Government administration and defence	86.6	98.2	97.8
N Education	87.7	89.0	89.9
O Health and community services	61.3	86.3	80.3
P Cultural and recreational services	82.7	89.6	86.5
Q Personal and other services	101.5	84.0	80.2
Total	84.9	92.0	89.2

Source: Unpublished ABS 6306.0 estimates.

**Table 2: Gender Wage Ratios Within AWAs and CAs by Occupation, May 2006. Average Hourly Ordinary Time Earnings, Non-managerial Employees.**



	<b>GWR-AWA</b>	<b>GWR-CA</b>	<b>GWR-Total</b>
1 Managers and Administrators	88.4	89.8	86.3
2 Professionals	84.0	89.4	88.7
3 Associate Professionals	73.3	85.1	78.9
4 Tradespersons and Related Workers	78.2	72.6	75.2
5 Advanced Clerical and Service Workers	88.0	81.9	84.5
6 Intermediate Clerical, Sales and Service Workers	85.8	88.8	86.5
7 Intermediate Production and Transport Workers	88.0	73.4	79.7
8 Elementary Clerical, Sales and Service Workers	90.4	89.5	89.3
9 Labourers and Related Workers	85.0	83.9	87.2
Total	84.9	92.0	89.2

Source: Unpublished ABS 6306.0 estimates.

## 5 SUMMARY AND CONCLUSIONS

Using a variety of ABS wage data this paper revisits the issue of gender pay equity and its relationship with decentralised bargaining. Amongst other things it has been shown that, contrary to claims by the Federal Minister for Employment and Workplace Relations (Hockey, 2007) the gender pay gap is not narrowing in the full-time labour market. In particular the data above establishes that women (particularly those in Accommodation, Cafes and Restaurants and Retail trade) are not the winners under the post 1996 and specifically the *WorkChoices* industrial relations regime. In making these assertions it has been emphasised that there is a need to use commonly understood definitions relating to key concepts (eg. of wages and of workers, such as non-managerial employees) in order to draw valid conclusions. It has also been established that a proper analysis of current ABS data requires specific inclusion of data relating to part-time workers (through the use of hourly earnings data)

The gender wage gap clearly varies across industry groups and industry sectors. It is larger in the private sector and it is larger amongst those covered by AWAs. Consistent with previous studies the findings here support the claims that collective agreements tend to minimise gender pay disparities. This poses some challenges for the extent to which AWAs can meet goals of gender equity within the workforce and the community more generally.

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<sup>i</sup> In calculating the number of AWAs in existence the Office of the Employment Advocate (OEA) (soon to be renamed the Workplace Ombudsman) included all AWAs signed in the last three years (Senate Standing Committee on Employment, Workplace Relations and Education (2007)).

<sup>ii</sup> Although WorkChoices removed the no-disadvantage test (a test that required the OEA to ensure that AWAs did not leave workers worse off relative to the award), recent concern with the way AWAs are being used (eg. to reduce labour costs through removing provisions such as overtime pay and penalty rates) has seen the introduction of a "fairness test" to monitor specific aspects of the trading of employment conditions in the establishment of AWAs. While yet to be formally legislated, these provisions will be retrospective to 7 May 2007 (Howard 2007).

<sup>iii</sup> The research presented in this paper draws on several papers and reports including Preston, Jefferson and Seymour (2006), Preston, Jefferson and Guthrie (2006) and Jefferson and Preston (2006). Aspects of this work have also been presented at conferences including AIRAANZ 2007, the Australian Society for Heterodox Conference in Sydney in 2006, the NFAW Pay Equity Roundtable discussions in 2007 and at a special conference on the gender pay gap organised through the Consortium for Diversity at Work (CDW) at UWA in 2005. Our research in this area has also benefited from helpful comments from JIR referees and we would like to acknowledge their contribution in this regard.

<sup>iv</sup> When the original (not-smoothed) data are used the corresponding ratios are 84.33 and 81.09 per cent, respectively.