

LABOUR COSTS

AUSTRALIA

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I N Q U I R I E S

For further information about these and related statistics, contact the National Information and Referral Service on 1300 135 070.

NOTES

- ABOUT THIS PUBLICATION** This publication contains estimates of labour costs for the private and public sectors including employee earnings, employer-funded contributions to superannuation, workers' compensation, payroll tax and fringe benefits tax. Estimates are classified by state/territory, industry, employer size and sector.
- NOTES ON ESTIMATES** Care should be taken when comparing estimates of major labour costs contained in this publication with those previously published in *Labour Costs, Australia, 2002–03* (cat. no. 6348.0.55.001) and *Labour Costs, Australia, 1996–97* (cat.no.6348.0) as there are differences in methodology between the surveys. See paragraphs 25, 26 and 27 in the Explanatory Notes for more details.
- INQUIRIES** For further information about these and related statistics, contact the National Information and Referral Service on 1300 135 070.
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- ABBREVIATIONS**
- ABN Australian Business Number
 - ABS Australian Bureau of Statistics
 - ABSBR Australian Bureau of Statistics Business Register
 - AEIFRS Australian Equivalents to International Financial Reporting Standards
 - ANZSIC Australian and New Zealand Standard Industrial Classification
 - FBT Fringe Benefits Tax
 - RSE relative standard error
 - SISCA Standard Institutional Sector Classification of Australia
 - TAU type of activity unit
 - TOLO Type of Legal Organisation

Brian Pink
Australian Statistician

SUMMARY OF FINDINGS

OVERVIEW

This publication contains statistics on the main costs incurred by employers as a consequence of employing labour. The statistics are based on the Major Labour Costs Survey conducted by the Australian Bureau of Statistics (ABS) in respect of the 2010–11 and 2002–03 reference years. The survey provides information on various components of labour costs including employee earnings, employer payments for superannuation, workers' compensation costs, payroll tax and fringe benefits tax.

TOTAL COSTS

Total labour costs incurred by employers in Australia during 2010–11, as defined in the Major Labour Costs Survey, were \$620,357 million. Employee earnings accounted for 87.3% of total labour costs. Superannuation was the next largest component at 7.6%. Payroll tax and workers' compensation costs were 3.0% and 1.7% respectively, while fringe benefits tax was the smallest component at 0.5% of total labour costs.

Large businesses (those with 100 or more employees) accounted for 61.2% of the total labour cost, while medium businesses (20 to 99 employees) accounted for 19.0% and small businesses (less than 20 employees) accounted for 19.8%.

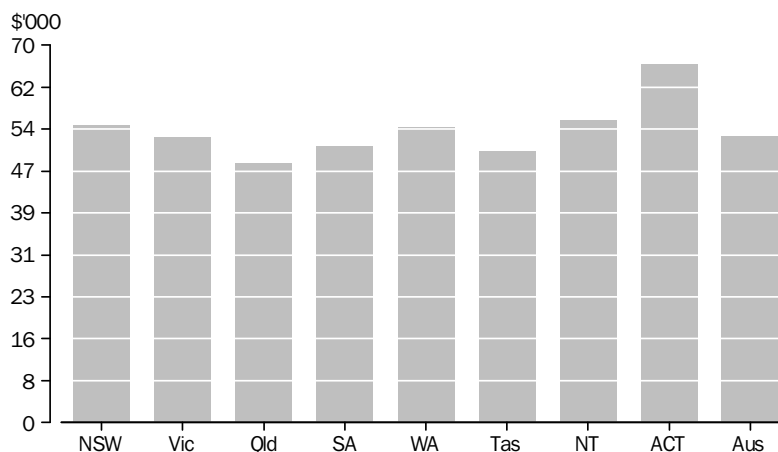
Total labour costs for private sector employers were \$478,968 million, representing 77.2% of the labour costs of all employers. Total labour costs for the public sector, which includes public trading and financial enterprises as well as national, state/territory and local government departments and authorities, were \$141,389 million (22.8% of the total).

COSTS PER EMPLOYEE

Total labour costs per employee during 2010–11 was \$53,063. The private sector had lower total labour costs per employee (\$48,875) than the public sector (\$74,674). This difference is primarily a result of higher earnings and superannuation costs per employee in the public sector, particularly in the national public sector.

The Australian Capital Territory and Northern Territory had the highest costs per employee (\$66,646 and \$56,030 respectively) while Queensland had the lowest (\$48,246). Across industries, labour costs per employee were highest in the MINING industry (\$134,581 per employee) and lowest in the ACCOMMODATION AND FOOD SERVICES industry (\$20,896) and ARTS AND RECREATION SERVICES industry (\$30,333).

LABOUR COSTS PER EMPLOYEE BY STATE AND TERRITORY



SUMMARY OF FINDINGS *continued*

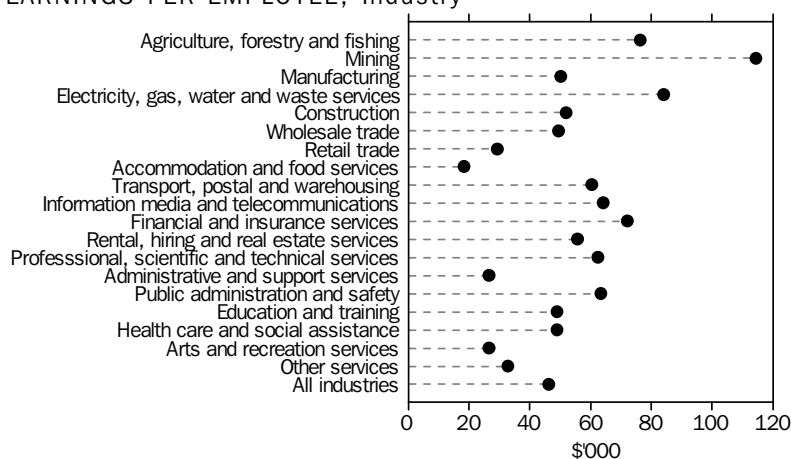
EARNINGS

Earnings, which includes gross wages and salary, the ungrossed value of fringe benefits, and severance, termination and redundancy payments, is the largest component of labour costs. During 2010–11, earnings accounted for 87.3% of total labour costs with a value of \$541,296 million. Private sector earnings totalled \$418,055 million (77.2% of total earnings) and public sector earnings were \$123,241 million (22.8% of total earnings).

Earnings per employee were higher for the public sector (\$65,089) compared with the private sector (\$42,658). Earnings per employee were highest in the Australian Capital Territory (\$57,464) and Northern Territory (\$48,879) and lowest in Queensland (\$42,343).

Earnings per employee were highest in the MINING (\$114,433) and ELECTRICITY, GAS, WATER AND WASTE SERVICES (\$83,984) industries, and lowest in the ACCOMMODATION AND FOOD SERVICES (\$18,317) and ARTS AND RECREATION SERVICES (\$26,661) industries.

EARNINGS PER EMPLOYEE, Industry



SUPERANNUATION

During 2010–11, the value of employer superannuation contributions paid on behalf of employees in Australia was \$46,989 million, or 7.6% of total labour costs. The private sector accounted for \$34,956 million or 74.4% of employer contributions and the public sector, \$12,033 million (25.6%).

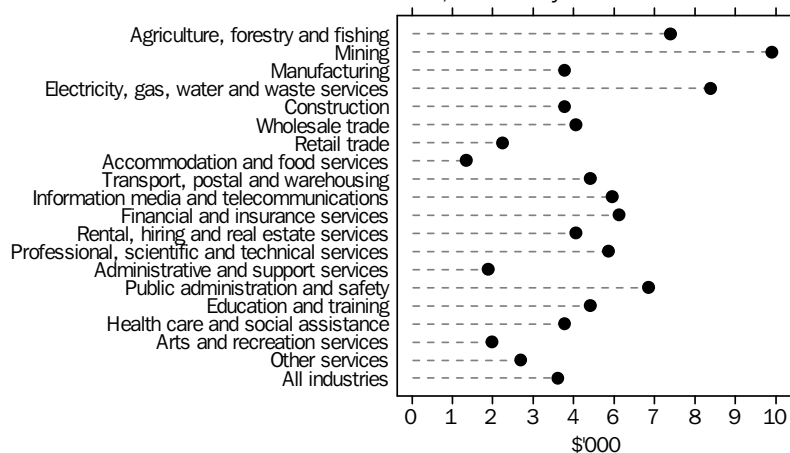
Superannuation costs per employee were \$4,020. Superannuation costs per employee were significantly higher in the public sector (\$6,355), than the private sector (\$3,568). The Australian Capital Territory had the highest superannuation costs per employee with \$6,896 while Queensland had the lowest with \$3,708 per employee.

The MINING and ELECTRICITY, GAS, WATER AND WASTE SERVICES industries had the highest superannuation costs per employee at \$9,946 and \$8,242 respectively. Industries with the lowest superannuation costs per employee were ACCOMMODATION AND FOOD SERVICES, ADMINISTRATIVE AND SUPPORT SERVICES, and ARTS AND RECREATION SERVICES (\$1,506, \$2,136 and \$2,205 respectively).

SUMMARY OF FINDINGS *continued*

SUPERANNUATION *continued*

SUPERANNUATION PER EMPLOYEE, Industry

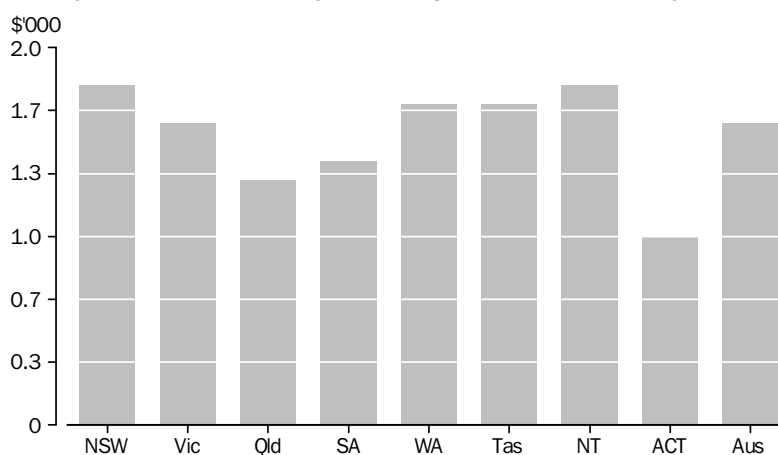


PAYROLL TAX

Payroll tax paid by employers during 2010–11 totalled \$18,631 million, representing 3.0% of total labour costs. The payroll tax cost per employee was higher in the public sector (\$1,927) than in the private sector (\$1,529).

Payroll tax per employee was highest in the Northern Territory (\$1,763) and New South Wales (\$1,753), and lowest in the Australian Capital Territory (\$1,041). A large proportion of organisations in the Australian Capital Territory have payroll tax exemptions as they are engaged in general government activities.

PAYROLL TAX PER EMPLOYEE BY STATE AND TERRITORY



As a proportion of total labour costs, payroll tax was highest in Tasmania (3.4%) and lowest in the Australian Capital Territory (1.6%).

Across industries, payroll tax as a proportion of total labour costs was highest in MINING (4.6%), followed by ELECTRICITY, GAS, WATER AND WASTE SERVICES (4.0%) and FINANCE AND INSURANCE SERVICES (3.9%). The industry with the smallest proportion of payroll tax to total labour costs was HEALTH CARE AND SOCIAL ASSISTANCE (0.9%). As a cost per employee, payroll tax was highest in MINING (\$6,216), and lowest in HEALTH CARE AND SOCIAL ASSISTANCE (\$485).

For small businesses (fewer than 20 employees), payroll tax accounted for only 1.5% of total labour costs. For medium businesses (20 to 99 employees) and large businesses (100 employees or more), payroll tax accounted for 3.3% and 3.4% respectively.

SUMMARY OF FINDINGS *continued*

WORKERS' COMPENSATION

Total workers' compensation costs during 2010–11 were \$10,249 million, representing 1.7% of total labour costs. Workers' compensation costs per employee were slightly higher in the public sector (\$1,058) than the private sector (\$842). However, as a proportion of total labour costs, workers' compensation costs were higher in the private sector (1.7%) than the public sector (1.4%).

Workers' compensation costs per employee were highest in South Australia (\$1,081) and lowest in Tasmania (\$673). Workers' compensation costs as a proportion of total labour costs were highest in South Australia (2.1%) and lowest in Tasmania (1.3%).

MAJOR LABOUR COSTS BY STATE AND TERRITORY

	New South Wales	Victoria	Queensland	South Australia	Western Australia	Tasmania	Northern Territory	Australian Capital Territory	Australia
TOTAL LABOUR COSTS (\$m)									
Earnings									
2002-03	109 807.1	80 349.5	50 651.3	20 387.2	29 172.8	5 805.9	3 045.2	7 390.3	306 609.3
2010-11	178 682.5	129 454.0	100 872.1	34 317.4	68 279.9	9 817.6	5 965.9	13 907.1	541 296.4
Other labour costs									
Superannuation									
2002-03	9 474.9	7 090.5	4 476.7	1 832.9	2 469.8	520.4	247.4	817.5	26 930.1
2010-11	15 074.1	11 303.0	8 832.0	2 978.7	5 722.8	904.4	505.4	1 669.0	46 989.4
Payroll tax									
2002-03	4 055.7	2 658.1	1 388.2	678.0	909.8	181.9	121.1	127.9	10 120.7
2010-11	6 537.6	4 562.2	3 095.4	1 088.4	2 494.3	384.8	215.8	^ 252.3	18 630.7
Workers' compensation									
2002-03	3 212.1	2 102.3	907.3	547.3	629.1	169.8	73.5	173.6	7 814.9
2010-11	3 906.0	2 254.3	1 672.4	832.4	1 071.0	151.2	116.6	244.6	10 248.5
Fringe benefits tax									
2002-03	1 045.4	753.2	314.2	150.9	308.4	30.6	28.5	43.9	2 675.2
2010-11	1 217.2	709.2	^ 453.1	^ 175.2	^ 509.1	^ 35.4	^ 35.9	56.9	3 192.0
Total									
2002-03	17 788.1	12 604.2	7 086.3	3 209.1	4 317.1	902.7	470.5	1 162.9	47 540.9
2010-11	26 734.9	18 828.7	14 052.8	5 074.8	9 797.1	1 475.8	873.7	2 222.8	79 060.6
Total labour costs									
2002-03	127 595.2	92 953.6	57 737.6	23 596.4	33 490.0	6 708.6	3 515.7	8 553.2	354 150.3
2010-11	205 417.4	148 282.7	114 924.9	39 392.2	78 077.0	11 293.4	6 839.6	16 129.9	620 357.1

COSTS PER EMPLOYEE (\$)

Earnings									
2002-03	39 647	37 156	33 621	34 180	35 343	30 813	35 364	39 982	36 855
2010-11	47 991	46 237	42 343	44 602	47 826	43 709	48 879	57 464	46 299
Other labour costs									
Superannuation									
2002-03	3 425	3 284	2 975	3 064	2 994	2 766	2 870	4 426	3 240
2010-11	4 051	4 037	3 708	3 872	4 008	4 027	4 139	6 896	4 020
Payroll tax									
2002-03	1 467	1 233	931	1 139	1 106	968	1 420	693	1 221
2010-11	1 753	1 632	1 302	1 415	1 747	1 713	1 763	^ 1 041	1 594
Workers' compensation									
2002-03	1 161	969	602	916	760	902	845	937	939
2010-11	1 052	804	703	1 081	750	673	955	1 010	877
Fringe benefits tax									
2002-03	378	350	211	253	374	162	335	238	323
2010-11	325	254	^ 191	^ 228	^ 357	^ 157	^ 294	235	272
Total									
2002-03	6 431	5 836	4 718	5 372	5 234	4 798	5 470	6 293	5 722
2010-11	7 181	6 727	5 904	6 596	6 862	6 570	7 151	9 182	6 764
Total labour costs									
2002-03	46 078	42 992	38 339	39 552	40 577	35 611	40 834	46 276	42 578
2010-11	55 172	52 963	48 246	51 197	54 688	50 279	56 030	66 646	53 063

^ estimate has a relative standard error of 10% to less than 25% and should be used with caution

MAJOR LABOUR COSTS BY SECTOR

PUBLIC SECTOR

	<i>Private sector</i>	<i>National Government</i>	<i>State/Territory Government</i>	<i>Local Government</i>	<i>Total public sector</i>	<i>All sectors</i>
TOTAL LABOUR COSTS (\$m)						
Earnings						
2002-03	233 955.8	13 450.3	53 323.4	5 879.8	72 653.5	306 609.3
2010-11	418 055.1	18 188.7	94 889.9	10 162.8	123 241.4	541 296.4
Other labour costs						
Superannuation						
2002-03	20 086.4	1 163.3	5 203.9	476.6	6 843.7	26 930.1
2010-11	34 956.2	2 333.6	8 726.8	972.8	12 033.2	46 989.4
Payroll tax						
2002-03	7 708.3	294.4	2 090.6	27.5	2 412.4	10 120.7
2010-11	14 982.0	240.4	3 355.2	53.2	3 648.8	18 630.7
Workers' compensation						
2002-03	6 276.3	176.4	1 155.4	206.8	1 538.6	7 814.9
2010-11	8 244.6	238.6	1 496.1	269.1	2 003.9	10 248.5
Fringe benefits tax						
2002-03	2 302.7	118.9	214.6	39.0	372.5	2 675.2
2010-11	2 730.5	75.6	329.6	56.3	461.5	3 192.0
Total						
2002-03	36 373.7	1 753.0	8 664.4	749.9	11 167.2	47 540.9
2010-11	60 913.4	2 888.2	13 907.6	1 351.4	18 147.3	79 060.6
Total labour costs						
2002-03	270 329.6	15 203.3	61 987.8	6 629.6	83 820.7	354 150.3
2010-11	478 968.4	21 077.0	108 797.5	11 514.1	141 388.6	620 357.1

COSTS PER EMPLOYEE (\$)

Earnings						
2002-03	34 710	53 888	45 609	35 828	45 904	36 855
2010-11	42 658	72 318	65 613	51 927	65 089	46 299
Other labour costs						
Superannuation						
2002-03	2 983	4 660	4 452	2 906	4 325	3 240
2010-11	3 568	9 278	6 034	4 971	6 355	4 020
Payroll tax						
2002-03	1 149	1 180	1 788	168	1 525	1 221
2010-11	1 529	956	2 320	272	1 927	1 594
Workers' compensation						
2002-03	931	707	988	1 259	972	939
2010-11	842	949	1 035	1 375	1 058	877
Fringe benefits tax						
2002-03	343	477	184	237	235	323
2010-11	278	301	228	288	244	272
Total						
2002-03	5 406	7 023	7 411	4 569	7 056	5 722
2010-11	6 217	11 483	9 617	6 905	9 584	6 764
Total labour costs						
2002-03	40 117	60 911	53 021	40 397	52 960	42 578
2010-11	48 875	83 801	75 230	58 832	74 674	53 063

MAJOR LABOUR COSTS BY EMPLOYER SIZE

	<i>Fewer than 20 persons</i>	<i>20-99 persons</i>	<i>100 persons or more</i>	<i>Total</i>
TOTAL LABOUR COSTS (\$m)				
Earnings				
2002-03	78 353.4	54 680.2	173 575.7	306 609.3
2010-11	108 742.6	102 451.1	330 102.7	541 296.4
Other labour costs				
Superannuation				
2002-03	7 598.6	4 628.1	14 703.4	26 930.1
2010-11	9 760.6	8 736.1	28 492.7	46 989.4
Payroll tax				
2002-03	628.3	1 901.9	7 590.5	10 120.7
2010-11	1 857.5	3 928.7	12 844.6	18 630.7
Workers' compensation				
2002-03	1 992.8	1 549.5	4 272.5	7 814.9
2010-11	2 053.1	2 334.3	5 861.1	10 248.5
Fringe benefits tax				
2002-03	391.3	556.6	1 727.3	2 675.2
2010-11	^ 383.0	^ 696.6	2 112.3	3 192.0
Total				
2002-03	10 611.1	8 636.1	28 293.7	47 540.9
2010-11	14 054.3	15 695.6	49 310.7	79 060.6
Total labour costs				
2002-03	88 964.5	63 316.3	201 869.5	354 150.3
2010-11	122 796.9	118 146.7	379 413.5	620 357.1

COSTS PER EMPLOYEE (\$)				
Earnings				
2002-03	29 794	32 965	42 914	36 855
2010-11	35 696	38 036	55 450	46 299
Other labour costs				
Superannuation				
2002-03	2 905	2 791	3 636	3 240
2010-11	3 205	3 243	4 788	4 020
Payroll tax				
2002-03	231	1 147	1 877	1 221
2010-11	611	1 461	2 155	1 594
Workers' compensation				
2002-03	756	934	1 056	939
2010-11	674	867	986	877
Fringe benefits tax				
2002-03	149	336	427	323
2010-11	^ 126	^ 259	353	272
Total				
2002-03	4 041	5 208	6 996	5 722
2010-11	4 616	5 831	8 282	6 764
Total labour costs				
2002-03	33 835	38 173	49 910	42 578
2010-11	40 312	43 867	63 732	53 063

^ estimate has a relative standard error of 10% to less than 25% and should be used with caution

MAJOR LABOUR COSTS BY INDUSTRY

OTHER LABOUR COSTS

	<i>Earnings</i>	<i>Superannuation</i>	<i>Payroll tax</i>	<i>Workers' compensation</i>	<i>Fringe benefits tax</i>	<i>Total</i>	<i>Total labour costs</i>
TOTAL LABOUR COSTS (\$m)							
Agriculture, Forestry and Fishing(a)	198.9	18.5	10.8	2.6	0.7	32.5	231.5
Mining	16 102.3	1 399.6	874.6	^ 347.8	213.0	2 835.0	18 937.3
Manufacturing	46 561.6	3 880.3	1 839.6	1 425.5	^ 310.7	7 456.1	54 017.7
Electricity, Gas, Water and Waste Services	9 239.0	906.6	433.3	134.2	58.8	1 532.9	10 771.9
Construction	43 960.0	3 517.6	^ 1 565.4	1 156.6	^ 367.6	6 607.3	50 567.3
Wholesale Trade	26 724.4	2 401.2	1 060.7	^ 500.3	^ 308.1	4 270.3	30 994.7
Retail Trade	32 329.9	2 755.7	1 210.8	673.1	^ 138.2	4 777.7	37 107.7
Accommodation and Food Services	^ 19 605.5	^ 1 612.4	^ 687.7	^ 426.4	^ 32.2	^ 2 758.7	^ 22 364.3
Transport, Postal and Warehousing	29 997.0	2 434.9	1 336.7	^ 1 025.3	^ 109.3	4 906.2	34 903.2
Information Media and Telecommunications	13 147.9	1 116.7	567.3	94.5	^ 116.3	1 894.8	15 042.7
Financial and Insurance Services	32 954.1	2 590.1	1 448.0	155.3	317.4	4 510.8	37 464.9
Rental, Hiring and Real Estate Services	13 195.7	1 058.5	^ 445.4	^ 97.1	^ 86.2	^ 1 687.2	14 882.9
Professional, Scientific and Technical Services	54 741.6	4 698.3	1 927.8	^ 482.9	*440.6	7 549.6	62 291.2
Administrative and Support Services	^ 31 192.1	^ 2 491.5	^ 1 293.0	^ 757.4	*138.0	^ 4 680.1	^ 35 872.2
Public Administration and Safety	43 159.6	4 446.2	992.1	1 007.2	184.5	6 630.0	49 789.6
Education and Training	46 133.2	4 595.4	1 869.4	551.5	120.6	7 136.9	53 270.1
Health Care and Social Assistance	63 305.0	5 396.9	^ 626.6	1 107.5	135.9	7 266.9	70 571.9
Arts and Recreation Services	5 459.7	451.1	185.1	83.5	^ 30.8	750.6	6 210.3
Other Services	13 288.6	1 217.6	^ 256.6	220.0	^ 82.8	1 777.1	15 065.7
All Industries	541 296.4	46 989.4	18 630.7	10 248.5	3 192.0	79 060.6	620 357.1

COSTS PER EMPLOYEE (\$)

Agriculture, Forestry and Fishing(a)	76 304	7 080	4 152	987	259	12 479	88 783
Mining	114 433	9 946	6 216	^ 2 471	1 514	20 147	134 581
Manufacturing	50 299	4 192	1 987	1 540	^ 336	8 055	58 353
Electricity, Gas, Water and Waste Services	83 984	8 242	3 942	1 203	535	13 922	97 905
Construction	51 976	4 159	1 856	1 370	^ 436	7 822	59 797
Wholesale Trade	49 411	4 463	1 936	^ 937	^ 556	7 894	57 305
Retail Trade	29 366	2 503	1 105	610	^ 126	4 345	33 711
Accommodation and Food Services	^ 18 317	^ 1 506	^ 643	^ 399	^ 30	^ 2 579	20 896
Transport, Postal and Warehousing	60 502	4 911	2 696	^ 2 068	^ 220	9 895	70 397
Information Media and Telecommunications	^ 64 193	^ 5 452	^ 2 770	^ 461	^ 568	^ 9 251	^ 73 445
Financial and Insurance Services	72 113	5 667	3 180	335	^ 697	9 880	81 993
Rental, Hiring and Real Estate Services	55 721	4 470	^ 1 881	^ 410	^ 364	7 124	62 845
Professional, Scientific and Technical Services	62 494	5 362	2 201	^ 551	*503	8 617	71 112
Administrative and Support Services	^ 26 744	^ 2 136	^ 1 109	^ 649	*118	^ 4 013	^ 30 756
Public Administration and Safety	63 448	6 536	1 458	1 481	271	9 747	73 195
Education and Training	49 051	4 886	1 988	586	128	7 588	56 639
Health Care and Social Assistance	49 005	4 178	^ 485	858	105	5 626	54 631
Arts and Recreation Services	26 661	2 205	908	408	^ 151	3 672	30 333
Other Services	32 907	3 015	^ 636	545	^ 205	4 401	37 307
All Industries	46 299	4 020	1 594	877	272	6 764	53 063

^ estimate has a relative standard error of 10% to less than 25% and should be used with caution

* estimate has a relative standard error of 25% to 50% and should be used with caution

(a) Includes Government units only. For further information see Explanatory Notes paragraph 9.

EXPLANATORY NOTES

INTRODUCTION

1 This publication contains estimates from the Major Labour Costs Survey, which is a sample survey of employers conducted for the 2010–11 financial year. The survey was designed to obtain information from employers about the main labour costs incurred as a consequence of employing labour. Similar surveys were conducted annually for the financial years 1985–86 to 1991–92, then for 1993–94, 1996–97 and 2002–03.

2 The Major Labour Costs Survey collected data on the following labour cost components:

- employee earnings
- superannuation
- payroll tax
- workers' compensation
- fringe benefits tax.

3 Costs were measured on a cash accounting basis, net of any reimbursements, subsidies or rebates.

Reference period

4 The reference period covered by the collection was, in general, the 12 months ended 30 June. Where businesses/organisations were unable to supply information on this basis, an accounting period for which data can be provided was used for data other than those relating to employment counts. Such businesses/organisations make a substantial contribution to some of the estimates presented in this publication, for example the MINING industry. As a result, the estimates can reflect trading conditions that prevailed in periods outside the twelve months ended June in the relevant year.

5 The reference period for fringe benefits tax is for the 12 months ending 31 March.

6 Although financial estimates relate to the full twelve months of the reference period, employment estimates relate to the last pay period ending in June of the given year. As a result, estimates of costs per employee may be affected by any fluctuations in employment during the reference period.

7 Financial data incorporate all units in scope of the Major Labour Costs Survey that were in operation at any time during the year.

CLASSIFICATIONS

8 The businesses/organisations that contribute to the statistics in this publication are classified:

- by institutional sector and, for public sector units, level of government, in accordance with the *Standard Institutional Sector Classification of Australia (SISCA)*, which is detailed in *Standard Economic Sector Classifications of Australia (SESCA)* (cat. no. 1218.0);
- by industry, in accordance with the *Australian and New Zealand Standard Industrial Classification (ANZSIC)*, 2006 edition (cat. no. 1292.0);
- by state and territory;
- by employer size.

SCOPE

9 The scope of the survey consisted of all employing businesses/organisations in both the public and private sectors except for the following Type of Legal Organisation (TOLO) and ANZSIC categories:

- DIPLOMATIC OR TRADE MISSIONS AND OTHER FOREIGN GOVERNMENT (TOLO 41 and 42)
- DIVISION A AGRICULTURE, FORESTRY AND FISHING except for GOVERNMENT units (TOLO 21–36)
- ANZSIC CLASS 6330 SUPERANNUATION FUNDS
- ANZSIC CLASS 7552 FOREIGN GOVERNMENT REPRESENTATION
- ANZSIC SUBDIVISION 96 PRIVATE HOUSEHOLDS EMPLOYING STAFF AND UNDIFFERENTIATED GOODS- AND SERVICE-PRODUCING ACTIVITIES OF HOUSEHOLDS FOR OWN USE.

EXPLANATORY NOTES *continued*

SCOPE *continued*

- 10** In general, the following organisations and their employees were excluded:
- members of the Australian permanent defence forces
 - employees of overseas embassies, consulates, etc.
 - employees based outside Australia
 - employees on workers' compensation who are not paid through the payroll
 - directors and office holders of public sector organisations who are not paid a salary.

COVERAGE

Frame

- 11** This section discusses frame and statistical units.

Statistical units

- 12** Businesses/organisations contributing to the estimates in this publication are sourced from the ABS Business Register (ABSBR), which has two components as described below.

- 13** The ABS uses an economic statistics units model on the ABSBR to describe the characteristics of businesses/organisations, and the structural relationships between related businesses/organisations. Within large and diverse business/organisation groups, the units model is used to define reporting units that can provide data to the ABS at suitable levels of detail.

- 14** The statistical unit for the survey comprised all activities of an employer in a particular state or territory. Statistical units were stratified by state, industry and employer size, and within each stratum, statistical units were selected with equal probability.

- 15** In mid 2002, the ABS commenced sourcing its register information from the Australian Business Register and at that time changed its business register to a two population model. The two populations comprise what is called the Profiled Population and the Non-Profiled Population. The main distinction between businesses/organisations in the two populations relates to the complexity of the business/organisation structure and the degree of intervention required to reflect the business/organisation structure for statistical purposes.

NON-PROFILED POPULATION

- 16** The majority of businesses/organisations included on the ABSBR are in the Non-Profiled Population. Most of these businesses/organisations are understood to have simple structures. For these businesses/organisations, the ABS is able to use the ABN as the basis for a statistical unit. One ABN equates to one statistical unit.

PROFILED POPULATION

- 17** For the population of businesses/organisations where the ABN unit is not suitable for ABS statistical requirements, the ABS maintains its own units structure through direct contact with the business/organisation. These businesses/organisations constitute the Profiled Population. This population consists typically of large, complex and diverse businesses/organisations. The statistical units model described below caters for such businesses/organisations.

- **Enterprise group:** This is a unit covering all the operations in Australia of one or more legal entities under common ownership and/or control. It covers all the operations in Australia of legal entities which are related in terms of the current Corporations Law (as amended by the *Corporations Legislation Amendment Act 1991*), including legal entities such as companies, trusts and partnerships. Majority ownership is not required for control to be exercised.
- **Enterprise:** The enterprise is an institutional unit comprising:
 - a single legal entity or business/organisation entity, or
 - more than one legal entity or business/organisation entity within the same enterprise group and in the same institutional subsector (i.e. they are all classified to a single SCSA subsector).

EXPLANATORY NOTES *continued*

Statistical units continued

■ *Type of activity unit (TAU)*: The TAU is comprised of one or more business/organisation entities, sub-entities or branches of a business/organisation entity within an enterprise group that can report production and employment data for similar economic activities. When a minimum set of data items is available, a TAU is created which covers all the operations within an industry subdivision (and the TAU is classified to the relevant subdivision of the ANZSIC). Where a business/organisation cannot supply adequate data for each industry, a TAU is formed which contains activity in more than one industry subdivision.

SURVEY DESIGN

18 The frame for the Major Labour Costs Survey (from which the sample was collected) was stratified using information held on the ABSBR. Businesses/organisations eligible for selection in the sample were then selected from the frame using stratified random sampling techniques.

19 The Major Labour Costs Survey used a sample survey methodology and collected information using a mail-out/mail-back collection methodology. Some businesses/organisations provided their information to the ABS electronically.

20 A sample of public and private sector employing units was selected from the ABN and TAU units on the ABSBR to ensure adequate state and industry representation.

Concepts, Sources and Methods

21 The conceptual framework used in Major Labour Costs Survey aligns closely with the standards and guidelines set out in Resolutions of the International Conference of Labour Statisticians. Descriptions of the underlying concepts and structure of Australia's employment and earnings statistics, and the sources and methods used in compiling these estimates, are presented in *Labour Statistics: Concepts, Sources and Methods* (cat. no. 6102.0.55.001).

ESTIMATION METHODOLOGY

22 The Major Labour Costs Survey used number raised estimation.

EFFECTS OF ROUNDING

23 Where figures have been rounded, discrepancies may occur between totals and the sums of the component items.

DATA COMPARABILITY

Comparison with other ABS statistics

24 In some cases estimates given in this publication may differ slightly from those from other sources. These differences may be the result of sampling or non-sampling error, or may result from differences in scope, coverage, definitions or methodology.

Historical comparisons

25 Care should be taken when comparing estimates from the 2002–03 and 2010–11 surveys with estimates from previous Major Labour Costs surveys because of changes in classifications, accounting standards, statistical units model and treatment of certain data items.

INDUSTRY CLASSIFICATION

26 The industry estimates in this publication are based on the *Australian and New Zealand Standard Industrial Classification (ANZSIC) 2006* edition. In the 1993–94, 1996–97 and 2002–03 issues, industry data were based on the 1993 version of the ANZSIC. The 2006 edition of ANZSIC was adopted to provide a more contemporary industrial classification system, taking into account issues such as changes in the structure and composition of the economy, changing user demands and compatibility with major international classification standards. Readers are therefore cautioned against making comparisons of industry across time periods.

27 For more information, please refer to Australian and New Zealand Standard Industrial Classification (ANZSIC), 2006 (cat.no.1292.0) which contains more detail on the 2006 industry classification and concordances between the 1993 and 2006 versions.

EXPLANATORY NOTES *continued*

*Historical comparisons
continued*

SUPERANNUATION

28 The 2002–03 and 2010–11 estimates for employer superannuation costs exclude the value of contributions to superannuation funds made under an employee's salary sacrifice arrangement. These costs were included in the superannuation cost estimates for previous Major Labour Costs Surveys. For the 2002–03 and 2010–11 Major Labour Costs Surveys, employee contributions to superannuation under a salary sacrifice arrangement, along with other salary sacrifice amounts (excluding any FBT incurred), were excluded from superannuation and instead treated as earnings.

EARNINGS

29 The earnings estimates in the 2002–03 and 2010–11 surveys included the value of salary sacrificed.

30 In the current and earlier surveys, employers reported the aggregate taxable value of fringe benefits provided to employees during the FBT year (1 April to 31 March). These amounts were obtained from an employer's FBT return for the relevant year. Where an employer had FBT exemptions, their FBT return would not have included the full value of fringe benefits that might have been provided. Until recently, there was no other source of information about FBT exempt fringe benefits paid to employees, which resulted in an understatement of the value of fringe benefits provided to employees in previous Major Labour Costs surveys. From 1 April 1999, all employers have been required to record the grossed-up (taxable) value of fringe benefits on payment summaries (previously known as group certificates) of employees who received relevant benefits with a total taxable value exceeding \$2,000. This is known as the reportable fringe benefits amount and must be reported regardless of an employer's exemption status with regard to FBT liabilities. The 2002–03 and 2010–11 Major Labour Costs Surveys collected the aggregate value of reportable fringe benefits amount for each selected employer and this was used to provide more complete estimates of the value of fringe benefits paid to employees.

AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS

31 The new Australian Equivalents to International Financial Reporting Standards (AEIFRS) were progressively implemented in Australia from 1 January 2005. As a result, a number of items in the financial accounts of Australian businesses/organisations have been affected by changed definitions, which have in turn affected both income statements and balance sheets. A range of ABS economic collections source data from financial accounts of businesses/organisations and use those data to derive economic statistics. There have been no changes in the associated economic definitions.

32 Since the implementation of AEIFRS, analysis of published time series data has indicated structural breaks in series. The magnitude of such breaks, however, cannot be determined without imposing a disproportionate load upon data providers to ABS surveys and other administratively collected data. The ABS will continue to monitor developments and report any significant identified impacts as a result of AEIFRS.

STATISTICAL UNITS MODEL

33 The ABS introduced a new statistical units model as a result of the introduction of The New Tax System on 1 July 2000. For more information on the impacts of the introduction of the new economic statistics units model, refer to *Information Paper: Improvements in ABS Economic Statistics [Arising from The New Tax System]* (cat.no.1372.0).

EXPLANATORY NOTES *continued*

FURTHER INFORMATION

Related publications

34 The following publications contain related information:

- *Australian Labour Market Statistics* (cat. no. 6105.0) – issued quarterly;
- *Average Weekly Earnings, Australia* (cat. no. 6302.0) – issued quarterly;
- *Employee Earnings and Hours, Australia* (cat. no. 6306.0) – issued biennially;
- *Information Paper: Changes to ABS Measures of Employee Remuneration* (cat. no. 6313.0) – released 14 November 2006;
- *Labour Force, Australia* (cat. no. 6202.0) – issued monthly;
- *Labour Price Index, Australia* (cat. no. 6345.0) – issued quarterly;
- *Labour Statistics: Concepts, Sources and Methods* (cat. no. 6102.0.55.001) – released 6 June 2007;
- *Labour Costs, Australia, 2002–03* (cat. no. 6348.0.55.001) – released 11 June 2004;

Other information available

35 More detailed estimates than those included in this publication are available in spreadsheet format free of charge online from the Statistics view on the ABS web site <www.abs.gov.au>. Select Statistics / By Catalogue Number / 6. Labour Statistics and Prices / 63. Earnings, hours and employment conditions / 6348.0 Labour Costs, Australia 2010–11, then select the Downloads tab.

36 The ABS also issues a daily Release Advice on the web site which details products to be released in the week ahead.

37 Inquiries should be made to the National Information and Referral Service on 1300 135 070.

Acknowledgement

38 ABS publications draw extensively on information provided freely by individuals, businesses, governments and other organisations. Their continued cooperation is very much appreciated; without it, the wide range of statistics published by the ABS would not be available. Information received by the ABS is treated in strict confidence as required by the *Census and Statistics Act 1905*.

TECHNICAL NOTE DATA QUALITY

RELIABILITY

Sampling error

1 The estimates in this release are based on information obtained from a sample survey conducted by the Australian Bureau of Statistics (ABS). The reliability of statistics derived from any collection may be affected by a range of factors that are independent of the methodology used. These factors result in non-sampling error. Sample surveys are also subject to inaccuracies that arise from the fact that a sample was selected rather than conducting a census. This type of error is called sampling error.

2 Sampling variability occurs when a sample, rather than the entire population, is surveyed. It reflects the difference between estimates based on a sample and those that would have been obtained had a census been conducted. One measure of the likely difference is given by the standard error, which indicates the extent to which an estimate might have varied by chance because the data were obtained from only a sample of units. There are about two chances in three that a sample estimate will differ by less than one standard error from the figure that would have been obtained if all businesses/organisations had been included in the survey, and about 19 chances in 20 that the difference will be less than two standard errors.

3 Another measure of sampling variability is the relative standard error (RSE), which is obtained by expressing the standard error as a percentage of the estimate to which it refers. The RSE is a useful measure in that it provides an immediate indication of the sampling error in percentage terms, and this avoids the need to refer also to the size of the estimate. RSEs for earnings for each industry are shown in the table below. Detailed RSEs can be made available on request.

RELATIVE STANDARD ERRORS

	<i>Earnings</i>
	%
Mining	5.3
Manufacturing	3.1
Electricity, gas, water and waste services	1.8
Construction	6.3
Wholesale trade	6.2
Retail trade	6.6
Accommodation and food services	14.8
Transport, postal and warehousing	6.0
Information media and telecommunications	7.2
Financial and insurance services	4.8
Rental, hiring and real estate services	9.8
Professional, scientific and technical services	6.3
Administrative and support services	10.7
Public administration and safety	0.7
Education and training	2.4
Health care and social assistance	2.6
Arts and recreation services	6.3
Other services	5.5
All Industries	1.4

4 To illustrate, the estimate of earnings during 2010–11, for the MINING industry, was \$16,102.3 million. The RSE of this estimate is shown as 5.3%, giving a standard error of approximately \$853.4 million. Therefore, there are two chances in three that, if all units had been included in the survey, an estimate in the range of \$15,248.9 million to \$16,955.7 million would have been obtained. Similarly, it implies that there are nineteen chances in twenty (i.e. a confidence interval of 95%) that the estimate would have been within the range of \$14,395.5 million to \$17,809.1 million.

Sampling error *continued*

5 Estimates for all Major Labour Costs Surveys were annotated with:

- a single asterisk (*) if their RSE lay in the range 25% to less than 50%
- a double asterisk (**) if their RSE was 50% or more.

6 For the 2010–11 Major Labour Costs Survey, estimates were annotated with a carat (^) if their RSE lay in the range 10% to less than 25%. Estimates for previous surveys did not distinguish RSEs in this range. Users are advised to bear these differences in mind when comparing estimates across reference periods.

Non-sampling error

7 Error other than that due to sampling may occur in any type of collection, whether a full census or a sample, and is referred to as non-sampling error. All data presented in this publication are subject to non-sampling error. It can arise from inadequacies in available sources from which the population frame was compiled, imperfections in reporting by providers, errors made in collection such as in recording and coding data and errors made in processing data. It also occurs when information cannot be obtained from all businesses/organisations selected. The imprecision due to non-sampling variability cannot be quantified and should not be confused with sampling variability, which is measured by the standard error.

8 Although it is not possible to quantify non-sampling error, every effort was made to reduce it to a minimum. Collection forms were designed to be easy to complete and assist businesses/organisations to report accurately. Efficient and effective operating procedures and systems were used to compile the statistics. The ABS compared data from different ABS (and non-ABS) sources to ensure consistency and coherence.

9 Differences in accounting policy and practices across businesses/organisations can lead to some inconsistencies in the data used to compile the estimates. Although much of the accounting process is subject to standards, there remains a great deal of flexibility available to individual businesses/organisations in the accounting policies and practices that they adopt.

10 The above limitations are not meant to imply that analysis based on these data should be avoided, only that the limitations should be borne in mind when interpreting the data presented in this publication. This publication presents a wide range of data that can be used to analyse business/organisation performance. It is important that any analysis be based upon the range of data presented rather than focusing on one variable.

QUALITY INDICATORS

11 In the 2010–11 Major Labour Costs Survey, there was an 89.5% response rate from all businesses/organisations that were surveyed and found to be operating during the reference period. Data were imputed for the remaining 10.5% of operating businesses/organisations. Imputed responses contributed 10.9% to the estimate of total labour costs for all selected industries.

GLOSSARY

Costs per employee	Labour costs incurred in respect of employees, divided by the number of employees, for businesses/organisations operating at the end of 2010–11. The number of employees relates to the last pay period ending on or before 30 June of the reference year. Costs and employee numbers for businesses/organisations which ceased operating during the reference year are excluded.
Earnings	<p>Total employee remuneration during the reference year, regardless of the form of remuneration. This comprises:</p> <ul style="list-style-type: none"> ■ gross wages and salaries ■ the value of salary sacrificed (excluding fringe benefits tax) ■ the ungrossed value of fringe benefits provided by employers through arrangements other than salary sacrifice ■ severance, termination and redundancy payments. <p>Gross wages and salaries is net of amounts reimbursed for employees on government employment programs. Workers' compensation payments paid through the payroll and fringe benefits tax paid by employers are excluded from earnings.</p>
Employees	The number of wage and salary earners who received pay for any part of the last pay period ending on or before 30 June of the reference year.
Employer size	To derive estimates of employer size, each of the units selected in the survey was allocated a size classification based on the number of employees reported for that unit during the last pay period ending on or before 30 June of the reference year. The size classification reflects the size of a unit in each state or territory and not necessarily the size of the unit Australia wide.
Fringe benefits	Non-cash benefits, such as goods and services, provided to employees in respect of employment. Examples include use of a work car, a cheap loan, or health insurance costs. These benefits may be provided through salary sacrifice or other arrangements. Employer contributions to superannuation for an employee (including through a salary sacrifice arrangement), when paid to a complying superannuation fund, are not considered to be fringe benefits.
Fringe benefits tax	A tax paid by employers due to fringe benefits provided for their employees. There are exemptions which apply to some categories of employers (e.g. certain not-for-profit organisations) and certain benefits (e.g. laptop computers). Estimates of the ungrossed value of fringe benefits (a component of earnings) and fringe benefits tax both relate to the year ended 31 March.
Gross wages and salaries	<p>Payments to employees before tax and other items (such as employee contributions to superannuation) are deducted, and comprise:</p> <ul style="list-style-type: none"> ■ payments for time worked ■ payments for time not worked (such as annual, sick and other leave, and public holidays) ■ leave loading payments. <p>Gross wages and salaries includes:</p> <ul style="list-style-type: none"> ■ amounts paid from interstate or overseas ■ ordinary time and overtime earnings ■ over-award payments ■ penalty payments, shift and other remunerative allowances ■ retainers and commissions paid to employees who received a salary ■ bonuses and similar payments ■ payments under incentive, piecework or profit sharing schemes ■ advance and retrospective payments ■ salaries and fees paid to company directors and members of boards who received a salary.

GLOSSARY *continued*

Gross wages and salaries <i>continued</i>	<p>Gross wages and salaries excludes:</p> <ul style="list-style-type: none"> ■ reimbursements of expenses, e.g. travel, entertainment, meals, etc. ■ drawings from profits by directors or office holders ■ salary sacrifice amounts ■ wages and salaries reimbursed under government employment programs ■ workers' compensation payments paid through the payroll.
Industry	Classified according to the <i>Australian and New Zealand Standard Industrial Classification (ANZSIC)</i> .
Payroll tax	Employers whose wage and salary payments reach a specified level, as defined in each state's or territory's payroll tax legislation, are liable to pay this tax. Employers may claim exemptions for some categories of employees. Religious, not-for-profit and general government organisations are generally exempt from payroll tax.
Salary sacrifice	Salary sacrifice is an arrangement between an employer and an employee, where the employee agrees to forego part of their entitlement to salary or wages in return for the employer providing benefits of a similar cost (to the employer). Common types of benefits include employer contributions to superannuation funds and novated leases for motor vehicles.
Sector	Public sector organisations comprise local government authorities and all government departments, agencies and authorities created by, or reporting to, the national or state/territory Parliaments. All remaining entities are classified as private sector businesses.
Severance, termination and redundancy payments	Costs incurred by employers on resignation, retirement, retrenchment or disablement of an employee.
Superannuation	Employer contributions to superannuation funds on behalf of employees. Contributions by employees, or employer contributions under salary sacrifice arrangements, are excluded.
Workers' compensation	Workers' compensation costs comprise, in general, the costs of insurance premiums paid plus any other costs not reimbursed by insurers. Premium rates are usually determined by considering the industry of the employer and the employer's previous claims history. Non-reimbursed costs may vary depending on the legislation which applies in each state, but can include wages and salaries, other costs such as medical and legal costs, and lump sum settlement payments. In addition, most states and territories allow very large employers to self-insure, where, except in extreme circumstances, workers' compensation costs are borne by the employers. The direct costs of self-insurance are included in the estimates of workers' compensation costs in this publication.

FOR MORE INFORMATION . . .

INTERNET **www.abs.gov.au** the ABS website is the best place for data from our publications and information about the ABS.

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