

Wage Assessment in Business Services

**A Guide to Good Practice
Wage Determination**

© Copyright Commonwealth of Australia 2001

ISBN: 0 642 77002 6

This publication is copyright. Apart from any use as permitted under the *Copyright Act 1968*, no part may be reproduced by any process without the prior written permission of AusInfo. Requests and enquiries concerning reproduction rights should be directed to the Manager, Legislative Services, AusInfo, GPO Box 1920, Canberra ACT 2601.

This guide was commissioned by the Commonwealth Department of Family and Community Services as part of the Commonwealth Government's Disability Employment Reform Agenda. The guide was prepared by Health Outcomes International Pty Ltd, St Peters, South Australia, for the information of Commonwealth funded disability employment services.

May 2001

Canberra, Australian Capital Territory

FaCS 0393.0105

Contents

1	Introduction and background	1
1.1	Wages for people with disabilities	1
1.2	Aims of this document	2
2	Assessment tool options	3
2.1	Historical models	3
2.1.1	Profit sharing	5
2.2	Productivity-based assessment	5
2.2.1	The Supported Wage Assessment Tool (SWAT)	5
2.2.2	Other productivity models	7
2.3	Competency-based assessment	9
2.4	Hybrid models	11
3	What makes a good assessment tool?	15
3.1	Compliance with relevant legislation and standards	15
3.2	Industrial Relations considerations	16
3.3	Rigour of the assessment process	17
3.4	Nature of assessment	17
3.5	Linking assessment to training	18
3.6	What constitutes a 'fair wage'?	19
4	Comparing assessment tools	21
	Appendix A Disability Services Standard No. 9	25

1 Introduction and background

The welfare/community services sector as a whole (and the disability service sector in particular) has undergone significant change in recent times, particularly since 1996/7 when the Disability Employment Assistance Reform agenda was announced. The aim of the reform was to improve services and options available to job seekers with disabilities. Four key initiatives form the basis of the reform agenda:

- Enhance job seeker access, choice and employment outcomes;
- Make funding arrangements more equitable;
- Provide employment assistance to as many people as possible with existing funding; and
- Promote flexibility and innovation.

The economic and social benefits of people with disabilities being involved in employment have been recognised for many years. These benefits relate not only to the individual, but also to their families, employers and the community at large. In recent times, the employment options for people with disabilities have been enhanced, with many people with disabilities seeking and retaining employment in the open market, in addition to the traditional 'Sheltered Workshop' model of employment. Sheltered Workshops themselves have changed significantly in the past decade or two, whereby they are now seen as a competitive industry and are thus referred to as Business Services.

This document was prepared following a broad-based research assignment conducted by Health Outcomes International to review the different wage determination processes in operation in Business Services around the country. Whilst not all Business Services were involved in the research, every effort was made to identify innovative wage determination practices.

1.1 Wages for people with disabilities

There has been a significant amount of research and development focused on the assessment and payment of 'fair' wages for people with disabilities. Until relatively recently, this work concentrated on people with disabilities in open employment settings. Previously, Business Services had tended to pay wages to employees based on historical arrangements or ad hoc assessment processes.

There is a large number of wage assessment and payment strategies that have been developed for workers with disabilities. The content, structure and rationale for these processes have varied significantly. For example, some wage assessment processes are rigorously researched, tested and published as organisational policies,

whereas other systems are much less sophisticated and structured. There is an identified need to develop wage assessment processes for people in Business Services that are fair, appropriate to the worker, industry and the employer, use valid assessment techniques and comply with relevant legislation and standards.

Given that all Business Services in Australia are funded under the same system, it seems both logical and appropriate to develop guidelines that promote a nationally consistent wage determination system. Such a system is likely to 'borrow' from a range of current wage determination processes, but for some Business Services, is likely to represent a significant change in business operation.

1.2 Aims of this document

This Guide presents a view of what is considered good practice in terms of the development of wage assessment and determination processes in Business Services. The term 'good practice' is chosen deliberately. The research team responsible for reviewing wage determination processes considers that no single model currently in operation represents best practice. Until such a system is developed, this Guide serves to assist Business Service interest groups in developing, refining and evaluating wage determination systems.

The Guide aims to assist Business Services, peak body groups and industrial relations organisations to identify the extent to which organisational wage assessment processes comply with relevant legislation and standards. It also serves as a 'checklist' for those Business Services reviewing current practice, developing new assessment processes or negotiating enterprise agreements by highlighting the key issues that need to be considered in developing a fair, equitable and compliant system of wage determination.

It is further proposed that the guide is made available to Industrial Relations Commissioners around the country, to promote a consistent assessment process in the review of enterprise agreement submissions.

2 Assessment tool options

There are essentially 4 broad categories of wage determination processes operating within the Business Services sector, including:

- Historical wage payments (usually without formal assessment);
- Productivity-based assessments, including the Supported Wage Assessment Tool (SWAT);
- Competency-based assessment; and
- Hybrid models.

The key features, observed advantages and disadvantages of each of these systems are discussed below.

2.1 Historical models

Many Business Services pay wages based on their capacity to pay, or on historical arrangements that have endured for many years in some cases. These wage systems operate in a variety of ways, including:

- Basic payment structures whereby all employees receive the same weekly wage (or hourly rate);
- Basic payment schedules with incremental increases according to duration of employment;
- Payment of wages negotiated between the individual worker (and/or carer/advocate) and the Business Service, outside of an award or Enterprise Agreement; or
- Payment of a basic wage (the same for all employees) that has been calculated as a proportion of the appropriate award and placed in an Enterprise Agreement. (For example, a basic wage of \$40 per week has been paid to all employees, which equates to approximately 10% of a full award wage. The Enterprise Agreement then states that all employees receive 10% of the award wage, which provides a mechanism for ongoing indexation.)

Advantages

The historical or ad hoc wage assessment processes identified during the research project were highly variable in terms of wage outcome and structure, although in general, the advantages of such systems include:

- Ease of implementation - payment of set wages without formal review limits the cost associated with coordinating and conducting assessments;

- Little confusion by employees – workers know what they will be paid and are not required to undergo continual assessments;
- Wages can be set at a level that ensures the Business Service is able to pay; and
- Employees are not concerned about eligibility for social security benefits, as wages are usually below the threshold for benefit reduction.

Disadvantages

There are a number of disadvantages associated with historical wage determination systems. Whilst some Business Services (in particular, section 13 services) are not required to meet all of the supporting standards of Disability Services Standard 9, FaCS encourages compliance with each of the supporting standards from a quality assurance perspective. The Department ideally supports all Business Services progressing along a ‘standards continuum’ until full compliance (and therefore best practice) is attained. The research team considers that many historical systems may not comply with Standard 9 (and supporting standards) of the Disability Services Standards (see Appendix A for Supporting Standards of Standard 9). It is recognised that some of the supporting standards above do not explicitly state performance indicators and may therefore be interpreted in a number of ways in internal or independent audit processes.

In addition, the following disadvantages of historical/ad hoc wage determination systems have been identified by the research team:

- Wages do not reflect the employee’s skills or knowledge, which may be considered discriminatory;
- Superannuation payments are variable, with some employees earning below the superannuation threshold receiving no superannuation contribution;
- The lack of structured assessment may limit the capacity to identify and facilitate access to appropriate training and skills development;
- Wages paid in these circumstances tend to be very low; and
- Minimising wages devalues workers and creates unrealistic market expectations of the cost of labour in Business Services. It also perpetuates a competitive environment in which Business Services ‘under-cut’ each other in order to win contracts.

Current wage determination systems that are based on historical pay rates or are based only on the organisation’s capacity to pay are not considered appropriate. Business Services employing such systems are encouraged to explore alternative options and plan for the implementation of a valid assessment tool that complies with relevant standards and the concept of fairness.

2.1.1 Profit sharing

Some Business Services report a 'profit-share' arrangement that applies to wage payments. These structures tend to be ad hoc in nature, whereby profitable business activity results in distribution of profits according to an assessment of contribution toward producing the final product. Usually, these systems operate in conjunction with a basic (historical or simple productivity-based) wage payment. Alternatively, some Business Services employ a quasi profit-sharing process by issuing profit dividends to workers in the form of a superannuation supplement, which therefore does not influence eligibility for social security benefits.

Advantages

The primary benefit of this system is that workers share in the profitability of the organisation. This fosters a sense of ownership in the organisation/product, and encourages workers to self-monitor their own productivity.

Disadvantages

Difficulties associated with this system include determining what is a 'fair' distribution of profits, and the impact that additional 'bonus' payments has on Centrelink benefits for the worker. Workers may also become confused about how pay rates are determined. In addition, Business Service operators are likely to accept work that varies in profitability, which may lead to circumstances whereby the link between effort and reward is unclear.

It is considered that profit-share wage determination systems are not appropriate in the Business Services sector.

2.2 Productivity-based assessment

2.2.1 The Supported Wage Assessment Tool (SWAT)

The following table presents the feedback from a broad consultation process relating to the advantages and disadvantages of applying the SWAT in Business Services. Some Business Services involved in consultations are using the Supported Wage System (SWS) in its entirety or the SWAT only (or a variation of it). Other stakeholders commented in relation to the hypothetical implementation of the SWAT in the Business Service they represent. Although the responses were quite variable, the following table loosely ranks responses in order of priority/frequency.

Advantages of the SWAT	Disadvantages of the SWAT
<ul style="list-style-type: none"> • Assessment is independent and process is transparent; • System is known and accepted by most services, particularly those involved or familiar with open employment services; • Minimum wage guaranteed; • Infrastructure, accredited assessors, systems and monitoring processes are already in place (may enable economies of scale, assessor pooling, group assessment, co-worker benchmarks etc.); • Multiple assessment observations (at different times or on different days) enhance reliability and allow for variation in a better way than one-off reviews; • Encourages Business Services to charge for work at market rates, provide quality products and develop sophisticated business systems. This will ultimately improve viability and competitiveness of the Business Service; • Link to awards enables compliance with quality standards and participation in Case-Based Funding Trial; • Enables employees with varied skill and productivity levels to be employed in one setting; • Union involvement is promoted (although the level of this involvement is often minimal); • Enhances links between employment services, and recognises that Business Services and open employment are part of the same system (legislation, standards etc are common to both); • Minimises possibility of worker exploitation, meets <i>Disability Discrimination Act 1992</i> (DDA) and Disability Services Standards (particularly standard 9). 	<ul style="list-style-type: none"> • Costs likely to increase significantly due to increased wages; • Cost of administering the SWAT would be prohibitive if not subsidised by FaCS (ie if not a section 10 service); • Anecdotal reports that assessors may overstate worker productivity; • SWAT able to be ‘manipulated’ by workers or assessors ie productivity displayed during assessment is not representative of usual activity; • Difficult and costly to administer where there are many workers and/or many jobs across varied industries; • Difficult to gauge activities of co-worker or develop benchmarks due to the ‘tailored’ nature of some jobs; • Does not assess people against all components of the job, only the tasks that are being undertaken (this tends to overstate productivity); • Assumes basic competencies are held by the worker, less suitable for people with high support needs; • 10% payment increments under the SWS may be too broad, 5% increments suggested; • Need to re-assess workers when moving between jobs; • Knowing that a minimum rate of pay is required may influence employee recruitment to those only capable of ‘earning’ \$50 per week. This may reduce accessibility to the service.

As the above table demonstrates, there are numerous reasons in favour of the application of the SWAT across the Business Services sector. Similarly, however, many limitations or disincentives were also identified during the consultation process.

Conclusion

The Supported Wage Assessment Tool is a valid, reliable and accepted form of wage assessment that has already been implemented by some Business Services. The SWAT is deemed to comply with relevant legislation and standards. It is, however, a costly system with considerable resource requirements to appropriately support its implementation. It is also noted that the SWAT does not formally link to structured training and professional development strategies. Further, it is recognised that the initial target of the SWAT was the open employment environment.

It is apparent that business profitability is a key determinant associated with the adoption or implementation of the SWAT. Business Services applying the SWAT, as with any wage determination tool, should consider the financial implications of doing so. Research found that those currently using the system or in support of its broader adoption tend to be those services with either profitable business operations, high proportions of workers with low support needs and/or access to Commonwealth subsidised assessments (that is, section 10 services).

2.2.2 Other productivity models

The SWAT is considered a productivity-based assessment tool, as it monitors the output of workers against an established benchmark (the co-worker). A number of alternative productivity assessment tools have also been identified, with a similar objective – to determine the output of a worker in the particular job that they occupy.

Whilst direct comparison of productivity-based assessment tools has not been formally conducted, it is impossible to determine whether alternative assessment tools are more or less efficient than the SWAT. Following workplace observation, however, it is the subjective opinion of the research team examining wage assessment processes that wages paid under these systems tend to ‘down rate’ productivity and subsequently result in lower wages than might reasonably be expected.

There are a number of significant differences between the SWAT and other productivity tools identified, which influence the extent to which alternative productivity assessments comply with legislation, standards and the concept of fairness. These differences include:

- Alternative productivity assessments tend to rely on internal assessment, which raises questions of objectivity and manipulation;
- The outcome of the assessment is not always linked to an award, but may be used as a ‘ranking’ system for employees;

- Benchmarks may be arbitrarily set rather than practically determined using a formal process;
- Assessments are often conducted by the employee's supervisor/case manager as part of the annual Employment Planning process, therefore considering issues much broader than productivity only;
- Assessment processes may not be formally documented, or may not be clearly understood by employees or their advocates;
- Employees may or may not be made aware of the assessment being undertaken. For example, many employees record their productivity in an ongoing manner (such as by the use of tally sheets) and are unaware of which day or week's outputs will be included in their assessment;
- There is rarely union involvement in the negotiation of pay and conditions; and
- Frequency and duration of assessments vary (that is, assessments are not necessarily reliant on multiple observations).

Advantages

The primary advantages of alternative productivity assessment processes are:

- They may be adapted to the particular industry/workplace or specific job;
- They can be conducted efficiently, minimising administrative workload and assessment costs;
- They may be linked to awards and included in Enterprise Agreements;
- They do not necessarily rely on a non-disabled co-worker as a benchmark;
- Assessing workers without their knowledge minimises bias associated with the employee working at a rate that is inconsistent with his/her usual productivity; and
- The assessment process may not operate from a deficit model. That is, the result of the assessment is not expressed as a proportion of an able-bodied worker's capacity.

Disadvantages

A number of disadvantages were also identified when examining alternative productivity assessment tools, including:

- Where the assessment process is not formalised, there is potential for variable assessment practice;
- The use of internal assessors may limit the objectivity of the assessment process;

- The productivity assessment looks only at the job tasks being performed, therefore assessment result is not transferable between jobs;
- Variable assessment processes limit consistency across the sector, meaning a worker may be assessed at a different level for the same job in different Business Services;
- Some productivity assessment processes are quite simple, although others are complex and may be difficult to understand;
- Pay outcomes for people assessed by these processes seemed lower in comparison to the SWAT; and
- Assessors are not always qualified in workplace assessment, which may reduce the efficacy of the assessment tool.

In conclusion, alternative productivity based assessment tools reviewed generally do not represent best practice in the view of the research team.

2.3 Competency-based assessment

Features of competency based assessment

Competency based assessment is different from other forms of assessment that may have been used in the past. The major differences are:

- *Competency based assessment is criterion based:* a person is assessed not in competition with others but against standard criteria or benchmarks.
- *Competency based assessment is evidence based:* decisions about whether a person is competent are based on the evidence they provide to the assessor.
- *Competency based assessment is participatory:* the person being assessed is involved in the process of assessment and has the scope to negotiate with the assessor the form that assessment activities take.

There is a growing trend throughout Australian industry and more recently, in the Business Services sector, to implement competency-based assessment procedures in order to determine wages. A number of such systems have been developed, the most commonly recognised competency system being the Greenacres tool, which has been adopted (or plans to be) by a variety of Business Services around the country. (Note: the Greenacres tool is in fact a hybrid assessment system, discussed further below). In fact, no competency based only systems have been identified in Business Services. This section therefore discusses the hypothetical application of assessment processes focusing on competencies only.

In an assessment process that examines competency only, the assessment allocates employees to a wage classification band determined by complexity of job, which considers not only the tasks the person completes, but also the skills, knowledge

and attitudes (that is, competencies) the person possesses. The assessment is linked to a training model whereby the domains in which the employee has not demonstrated competency may be addressed, enhancing the employee's career path options.

The review of competency-based assessment tools revealed a number of key considerations. Firstly, it was noted that many systems that claimed to be competency-based were in actual fact skills-based. In fact, there was only one competency-based tool reviewed by the team that demonstrated a link to accepted industry standards. Secondly, the rationale for calibration or alignment of assessed scores to a wage level was not clearly articulated. In fact, the research team considers that whilst some of the assessment processes appeared sound and valid, the link to a 'fair' wage was not in keeping with the assessed level of competency. That is, the research team noted that some extremely capable people who were functioning in quite complex jobs had been assessed as competent, yet their pay did not reflect this. Finally, some assessment processes that were considered solely competency-based actually included elements of productivity assessment within them, and should actually be considered a hybrid system. An analysis of the merits of hybrid systems is presented in section 2.4.

Advantages

In a true competency-based assessment system, employees are assessed in accordance with industry-determined competencies, which are generally linked to training needs identification. This system enhances the employee's potential to progress through a structured career path, and enables transferability of assessment between workplaces, even if the job changes, as many common or generic competencies apply to a variety of industries.

Other advantages of a purely competency-based assessment tool are:

- Assessment is usually conducted separately to the Individual Employment Plan by specialist qualified assessors (organisations using a competency-based system are usually committed to principles of life-long learning);
- Competencies are recognised regardless of the employee's level of output, rewarding workers that may not necessarily be the fastest, but taking into account the skills and knowledge applied in completing a particular job;
- Competency assessment enables the allocation of jobs (particularly more complex jobs) to those who are qualified and competent to fill the position;
- Consistent assessment, training and wage determination/classification processes may be used for disabled and non-disabled workers, minimising discrimination and enhancing opportunities for the establishment of integrated workplaces;

- Workers may access education and training externally. This contributes to the attainment of competencies or industry approved qualifications (eg Certificates linked to training packages, traineeships/apprenticeships etc); and
- There is a clear link to relevant awards, and opportunities for transition to open employment are enhanced as competencies and qualifications are transferable.

Disadvantages

If competency-based assessment does not take worker productivity into account, the wage determination would indicate that anyone with a set of competencies is entitled to 100% of the award wage. This would be considered inappropriate in many Business Services (and in the 'usual' workplace), as the rate of output of these employees significantly influences the profitability (and therefore capacity to pay) of the Business Service. The incentive to employ people with disabilities would therefore be dramatically reduced.

The relative recency of competency-based assessment may also act as a barrier to the implementation of such systems. Productivity based assessment has become the norm in open employment settings and in a number of Business Services, whereas competency-based assessment has been implemented in relatively few services. Resources directed toward training Business Services and employees in competency-based assessment would be required prior to the implementation of a single assessment tool utilising competency-based principles.

Other disadvantages of a competency-based system include:

- Cost – application of a true competency-based assessment system requires the investment of significant resources including assessment costs, training resources and administration/coordination;
- Timing – implementing formal competency-based assessment in large organisations will require significant planning; and
- Calibration of wage rates in accordance with assessed competency levels are at this stage considered inappropriate, and more work is required to ensure that both the assessment and the corresponding wage rate are fair and equitable.

2.4 Hybrid models

Hybrid models identified during the research project were highly variable depending on the balance or priority of competency versus productivity assessment. As discussed above, some assessment processes that were considered competency-based only, in actual fact included productivity elements. In addition, it should be noted that the preferred model of best practice for wage determination was most commonly cited as a combination of productivity and competency-based assessment.

The hybrid assessment tools that were considered most effective by the research team included an initial competency assessment component that broadly ‘streamed’ employees by competency level, with subsequent productivity assessment to determine exact wage rates against appropriate benchmarks. Ideally, the benchmarks will be set by a co-worker in an integrated workplace environment or will be documented in appropriate industry standards. As identified above, however, only one assessment process linked the competency assessment to endorsed industry Training Package competencies.

Advantages

As may be expected, the hybrid model has the potential to utilise the best components of both productivity and competency based assessment tools, although the research team is reluctant to recommend any of the current models as an ideal example of best practice.

The potential benefits of the hybrid model include:

- Recognising competencies of employees as well as their outputs;
- Enabling transferability of assessment (or parts of the assessment) between jobs or workplaces;
- Assessment methods are flexible and the worker has a greater involvement in negotiations associated with the assessment;
- Enhancing links between training and employment, and between open and sheltered employment;
- Rational links to awards can be developed;
- The capacity to place the most appropriate person in each job is enhanced; and
- Issues associated with refined or tailored jobs are minimised, as is the reliance on co-worker benchmarks.

Disadvantages

Whilst the hybrid model is the preferred model of the research team, there are potential disadvantages that should be considered prior to adoption of a hybrid assessment model. These issues include:

- A hybrid system may be complicated and difficult to understand for Business Services and employees alike. Decisions relating to the negotiation of wages based on these assessments should be made after clear discussion of the assessment process and outcome. A single assessment process across the sector will minimise confusion;

- Hybrid models may be manipulated if wage calculation following the assessment is inappropriate. Again, a single validated system will minimise the potential for misuse of a hybrid model;
- Business Services will be required to allocate significant resources toward assessment (if not subsidised) and in-house (on-the-job) training, in addition to facilitating access to external training programs; and
- Whilst elements of the assessment will be transferable and linked to open employment, dichotomous assessment processes in Business Services and open employment settings will remain. Ultimately, however, the single assessment tool for Business Service employees may be adapted to open employment settings.

The research team concludes that a hybrid model represents the most appropriate method of wage determination in Business Services. However, the team is reluctant to recommend any of the existing assessment tools as the absolute best practice method of wage assessment for all services.

3 What makes a good assessment tool?

The following is an overview of the key components of a best practice wage assessment process/tool for Business Services, as identified in a research and consultation project conducted by Health Outcomes International on behalf of the Commonwealth Department of Family and Community Services. It is recognised that there is great variability in wage determination practice within the Business Service sector, and the research team was reluctant to recommend any single assessment process reviewed as suitable for application across the sector. It may be preferable, however, to design and implement a single assessment tool specifically for Business Services to enhance consistency in what is currently an extremely diverse sector. The conditions and considerations below will form the basis of any new single assessment tool, and it is recommended that proposed industrial agreements or interim assessment strategies address these conditions.

3.1 Compliance with relevant legislation and standards

In reviewing the wage determination processes and assessment tools available to Business Services (and those currently in operation), it is important to acknowledge and assess compliance with legislation and standards that apply to disability services, employers and the community at large.

Wage determination processes must comply with the conditions of the following documents, with the most relevant sections/units identified wherever possible:

- *The Disability Services Act (1986)*, particularly sections 9 (A and B), 10, 12 (A) and 13;
- Disability Services Standards, particularly Standard 9 and supporting standard 9.9 (see Appendix A);
- *The Disability Discrimination Act (1992)*, particularly section 15 - Discrimination in employment;
- *The Workplace Relations Act (1996)*, particularly the following sections:
 - 93 - Commission to take account of *Racial Discrimination Act 1975*, *Sex Discrimination Act 1984* and *Disability Discrimination Act 1992*;
 - 123 - Power to provide special rates of wages;
 - 143 - Making and publication of awards;
 - 173 - Member of Commission may exercise powers under present State laws; and
 - 509 - Exemption from minimum rates of pay.

This legislation is available for review on the Australian Legal Information Institute website at www.austlii.edu.au and includes links to State legislation that may also warrant consideration.

3.2 Industrial Relations considerations

Union participation

During the research project, the role of unions in wage determination was addressed. It is apparent that the energy of unions is predominantly directed toward workers in open employment, particularly in industries/workplaces where union membership levels are high. Very few Business Service employees are members of appropriate unions (in Western Australia, however, a specific Disabled Worker's Union has been established, covering all WA Business Service employees).

It was noted that some Business Services have worked with unions in developing wage assessment systems, although this was not generally the case. It is considered that ideally, union involvement could take place at a number of levels, and that this involvement can be effective and representative without being intrusive or counter-productive. It is recognised that unions rarely play a major role in developing/reviewing enterprise agreements, approving Supported Wage assessments or reviewing 'Slow Worker Permit' applications, despite the fact that this involvement is expected. Often, union involvement is limited to a signature as required or a cursory check of application/agreement details. The research team feels that unions should be more active in working with Business Services and their employees to support the development of appropriate wage determination strategies.

Industrial Relations

Links between Business Services and Industrial Relations agencies are becoming increasingly important, particularly in light of the recent Coffs Harbour decision. The level of 'disability awareness' and familiarity with the Business Service sector by Industrial Relations agencies (and Commissioners) is variable. Some specific Commissioners were identified as having a sound understanding of the issues associated with people with disabilities and Business Service operations, although for the most part, it was considered that their knowledge was limited. It is possible, therefore, that this lack of awareness has led to the ratification of some Enterprise Agreements without the level of scrutiny that may be expected.

Industrial Relations Commissioners should have access to education/information relating to Business Service operations, particularly in relation to rates of pay and links to relevant awards.

3.3 Rigour of the assessment process

Validity and reliability are the key determinants of the rigour of a wage assessment tool. **Validity** refers to the extent to which the tool is assessing what it claims to be assessing (that is, competence or productivity). Validity is indicated by the tool's ability to differentiate between people of different work capacity (the combination of productivity and competency) and its coverage, that is, whether the tool covers all relevant elements of productivity or competency.

Reliability refers to the extent to which different assessors would achieve the same result when assessing the same person (inter-rater) and the extent to which the same assessor achieves the same result for similar situations or for the same person at different times (intra-rater). In this sense, reliability is indicated by the consistency of the assessment process when utilised by different assessors or when assessing the same worker a number of times.

Validity and reliability are enhanced in the following ways:

- Development and publication of a formal wage assessment system that has been tested;
- Ensuring that the assessment appropriately covers the range of work conducted by employees; and
- Using independent and objective assessors with appropriate skills and qualifications.

3.4 Nature of assessment

The adoption of a rigorous wage determination process represents a significant commitment to the concept of fairness and consistency. Ideally, the adoption of a wage assessment system should also indicate sound links to training and professional development opportunities. This enhances the value of the assessment process, as it not only enables wage determination, but is also likely to improve employee productivity and/or competency.

The cost of administering detailed assessment processes has been identified as a key concern of many Business Services yet to implement a formalised system. Whilst some costs are likely to be incurred in the conduct of assessments, it is felt that an appropriately planned and administered wage assessment system is a sound investment for Business Services.

The actual format of the assessment is also important. A range of options exist, including planned assessment of a worker at a specified time, ongoing productivity monitoring as an inherent job task, or covert assessment of worker activity. It is recommended that ongoing productivity monitoring provides the most accurate

result, as it may consider peaks and troughs in output, not relying on one-off or short term assessments that may misrepresent the worker's true productivity. This may also be linked to the determination of productivity benchmarks.

Competency assessment on the other hand, should be conducted by an independent assessor with appropriate qualifications (eg Certificate IV in Workplace assessment) wherever possible. Competency assessments may be ongoing or sporadic, although the method should be clearly articulated to employees. The competencies by which employees are assessed should be linked to appropriate endorsed Industry Standards.

The method and nature of assessment should be clearly documented, with employees and advocates made fully aware of the process by which wages are determined.

3.5 Linking assessment to training

In the context of wage assessment acting as a professional development tool rather than just a wage determination process, it is vital that the assessment has strong links with training and skills development for employees. In fact, a number of existing wage assessment processes have either formal or informal links to training via the individual planning process for each individual employee in Business Services. Most of the training offered to Business Service employees is conducted in-house, with a variety of training strategies implemented including on-the-job, off-the-job or combined training methods. Occasionally, external training providers (eg TAFE colleges) are used for training employees.

Training is a mechanism by which employees may address deficiencies in their productivity or competency level, and the completion of appropriate training often leads to the employee adopting new tasks, jobs and subsequently 'graduating' to a different level of pay. It is recommended that Business Services consider a training plan or policy when developing or implementing a formal wage assessment process. The plan/policy should recognise the merits and availability of in-house and external training, as well as on and off-the-job modules.

In 1999, the ANTA (Australian National Training Authority) Disability Forum published *'Bridging Pathways: National plan of action for increasing opportunities for people with a disability in vocational education and training'*. It acknowledged that people with a disability are under-represented in the Vocational Education and Training (VET) sector and describes a new vision for achieving equitable vocational education and training outcomes for people with a disability. Each State Government has responsibility for the implementation of the Bridging Pathways initiatives, with some strategies having commenced in various sites across Australia. Bridging Pathways represents a significant opportunity for Business Services to support skills enhancement for their employees, with mutual benefit to both Business Service and the individual.

3.6 What constitutes a 'fair wage'?

A 'fair wage' is a subjective concept, and all Business Service operators are keen to ensure that a fair wage is paid to all employees. It is clear, however, that the extent to which a fair wage is payable has been largely dependent on the viability of the Business Service in many organisations.

In this context, a fair wage for a Business Service employee is considered as:

- Linked to an award or industry standard for the type of work undertaken;
- Reflecting the capacity of the employee to complete the tasks constituting their job;
- Reflecting the training level attained by the employee (including qualifications, licences etc.);
- Taking the worker's supplementary skills into account (eg. supervision, quality assurance, OH&S awareness); and
- Representing an incentive to achieve higher level skills or qualifications.

It is accepted that in open business, wages are paid according to the merit of the worker, with relevant awards acting as a 'safety net'. Wages are rarely paid in accordance with the capacity of the employer to pay, as an inability to pay represents a non-viable employer. In this circumstance, the employer is required to adjust their business operations by either – reducing costs (not wages); finding better ways to do business (equipment, training etc.); changing the focus of business (exploring alternative markets); increasing revenue (charging more or selling more); or reducing the number of employees. These decisions may not be palatable to many Business Services, particularly where reduced financial viability may place jobs at risk. The challenge, therefore, is to adapt business operations to ensure that fair wages are payable to all employees of the Business Service.

One approach that Business Services may adopt in order to enhance capacity to pay fair wages is to ensure that quotes for work are based on reasonable wage rates, representing the true cost of labour. It is understood that the highly competitive environment in which Business Services operate has led to a culture of 'under-cutting' and cost reduction to ensure work keeps flowing. Business Services may need to discuss alternative pricing structures with their clients when making the transition to fairer wage payment systems.

4 Comparing assessment tools

The following section presents a brief comparison of the various wage assessment systems that are currently in place. A comparison matrix has been developed in order to assist Business Services to choose or adapt processes in order to comply with legislative or quality assurance requirements, to enhance the rigour of the assessment and to improve wage outcomes for their workers.

The key components of the matrix are:

- Compliance with relevant legislation and standards;
- Validity – the extent to which the assessment is assessing what it claims to be assessing (that is, competence or productivity);
- Reliability – the extent to which different assessors would achieve the same result when assessing the same person (inter-rater) and the extent to which the same assessor achieves the same result for similar situations or for the same person at different times (intra-rater);
- Wage outcome – an assessment of the ‘fairness’ and appropriateness of the wage outcome from the assessment in accordance with assessed ‘scores’;
- Practical application of the tool; and
- Administration and cost implications of instituting the system.

Note: The Greenacres Association Competency Based Wages System[®] has been identified separately in the table overleaf. In general terms, the system represents a hybrid model, and has been isolated as it is perhaps the best known of the hybrid models.

Element of compliance	Assessment tool/process					
	SWAT	Greenacres	Other productivity	Competency only	Hybrid	Ad hoc/Historical
Disability Services Standards	Complies	Complies	Some questionable	Would comply	Most comply	Many questionable
Disability Services Act	Complies	Complies	Most comply	Would comply	Most comply	Some questionable
Disability Discrimination Act	Complies	Complies	Most comply – more detailed assessment required.	Likely to comply	Comply - fosters workplace integration.	Some questionable, particularly those continuing to pay historical (usually very low) wage rates
Workplace/Industrial Relations Act(s)	Complies	Complies	Usually comply – have been included in some enterprise agreements.	Likely to comply	Complies – may be linked directly to award and industry standards.	Questionable compliance.
Validity	Very good – independent accredited assessors using standardised and structured assessment tool. Applied across various settings/ industries.	Good – assessors trained but internal to organisation, potentially limiting objectivity. Being tested in other settings/ industries (generic application).	Average - most use internal assessors with a range of qualifications/ experience. Systems sometimes not structured.	Variable - range from average to very good, depending on training, experience and objectivity of assessors and structure of assessment process.	Average – systems not always formalised or documented.	Poor – large degree of variability, process not transparent.
Reliability	Strong - standardised tool and independent assessors enhance reliability.	Reliable within the organisation, and system is only endorsed in other Business Services when sold with training.	Internal reliability likely to be variable unless assessors are trained and monitored. External reliability not applicable.	Variable - depends on qualifications, training, monitoring of assessors and supporting QA mechanisms.	Variable - depends on assessor training and supporting QA mechanisms.	Poor - usually limited supporting documentation, may have no formal assessment structure.

Element of compliance	Assessment tool/process					
	SWAT	Greenacres	Other productivity	Competency only	Hybrid	Ad hoc/Historical
Acceptability to workers/carers	Well understood, due to application throughout open employment setting.	Clearly articulated to employees, but a complex system. Processes in place to enhance employee's understanding.	Usually quite clear and simple.	May become complex, consumer/advocate training required.	May become complex, consumer/advocate training required.	Usually clear, often based on rationale that all workers earn the same.
Administration/ cost	Commonwealth subsidised for some services, not s13 business services.	Significant commitment to the Training Unit (to cover costs of assessment) is required.	Assessments can be tailored to fit resource availability.	Application of endorsed Training Package competencies may reduce pre-assessment workload.	Reasonably costly if conducted with all OA processes, or if not subsidised.	Low cost option.
Links to training/ development	Average – does not apply assessment to training/ development needs.	Very good – training closely linked to findings of assessment.	Not necessarily linked to formal training.	Likely to enhance access to training with transferable qualifications.	Has potential to link with variety of training structures, including on-the-job, in-house or external (eg TAFE) programs delivering transferable qualifications.	Limited - training usually limited to personal development/daily living skills training eg transport to work.
Calibration of wage determinant	Good - linked to co-worker benchmark, but may be manipulated.	Average - wage outcome does not adequately reflect assessed capacity, as it is not linked to industry endorsed Training Packages.	Average - good. If linked to SWAT increments or productivity benchmarks.	Likely to be good if linked to endorsed Training Package competencies.	Good - can link to endorsed competencies and productivity benchmarks. Should ensure that employees are not 'doubly-penalised'.	Poor - usually paid based on arbitrary determinations.
Payment outcome	Good	Average – can be used to match capacity to pay.*	Poor - Average – can be used to match capacity to pay.	Average – can be used to match capacity to pay.	Average – can be used to match capacity to pay.	Variable – usually poor

Element of compliance	Assessment tool/process					
	SWAT	Greenacres	Other productivity	Competency only	Hybrid	Ad hoc/Historical
Incorporation into certified agreements	Yes - numerous agreements in place.	Yes - agreement in place.	Occasionally - likely to be placed under increased scrutiny.	Possible	Occasionally, otherwise use 'slow worker permit' applications	Some have had wage processes included in enterprise agreements by linking to awards (eg as a proportion of award).
Advantages	Accepted by open employment sector and understood by services. Promotes links between Business Services and open employment. Clear link to award wages, model clause already part of many awards.	Enables transferability of skills. Accreditation and registration of courses/ assessors enhances credibility. Cost-effective if linked to ongoing training models.	Assessment can be adapted to meet needs of individual and/or job. Cost-effective. Does not necessarily on co-worker, may be linked to other benchmarks.	Potential to link with industry-endorsed competencies. Potential to link with formally recognised training.	Has potential to consider both productivity and industry-endorsed competencies. Enhances links to formally recognised training.	Assessment (if conducted) is opportunistic, therefore low cost. Employees not differentiated on basis of productivity etc.
Limitations	Designed for open employment settings. May be difficult to compare with non-disabled co-worker due to nature of job. Potentially costly. Assessed level reflects comparative performance over short term only.	In-house assessment may limit objectivity. Potentially costly to services without significant commitment to training and assessment.	Assessors usually in-house, may limit objectivity. Assessment not transferable between industries or jobs.	Does not consider productivity, which would limit acceptance within the sector.	May increase wages beyond capacity to pay. May 'doubly penalise' employees if not appropriately structured. May be costly if not planned/implemented effectively.	Usually based on historical or subjective processes. Demonstrates lack of sophistication in business/admin processes. Usually associated with low wages.

* The assessment of the Greenacres tool recognises that wage outcome is better than in many other Business Services, but the research team considers that improvements may be made.

Appendix A

Disability Services Standard No. 9

Standard 9 Employment Conditions

Each person with a disability enjoys comparable working conditions to those expected and enjoyed by the general workforce.

Supporting Standards

1. The agency ensures that each employee with a disability has the same rights, protections and responsibilities as other people in the workforce.
2. The agency ensures that each employee with a disability receives an agreed minimum wage or salary which reflects progress toward an award-related wage.
3. Where the agency is also the employer, the budgeted costs of the agency reflect progress towards an award-related wage.
4. The agency recognises that labour costs of employees with a disability are an integral cost of running a business and accordingly are a part of the budgeted costs.
5. The agency's budget reflects that Government contributions do not subsidise the wages and salaries of employees with a disability.
6. The agency provides opportunities for career advancement, including access to training and skills development consistent with the opportunities provided in the general workforce.
7. The agency ensures that each employee with a disability works in a job and in a work environment in which he or she receives the same employment conditions, rights, protections and responsibilities as those expected and enjoyed by other people in the general workforce.
8. The agency ensures that employees with a disability are supported on the basis of their needs and interests and are not grouped solely on the basis of their disability.
9. The agency ensures that each employee with a disability receives award wage rates or pro-rata award wage rates determined through an independent industrial relations process.
10. The agency ensures that each employee is employed under an award or industrial agreement.

