



The Employment Hero SME Index

July 2023

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Introduction

Welcome back to The Employment Hero SME Index.

In July, monthly median hours worked dropped a significant -8.6% from the month previous while the monthly median hourly rate increased by 2.3%.

I expressed concern months ago that the challenges Australian workers would face in the second half of the year would be securing ample work hours and, worst case scenario, holding onto their jobs. A robust economy relies on the stability and growth of our SME sector. As our data has shown repeatedly, however, this is challenging when the rate at which wages are increasing in line with inflation is downplayed. Employees earning more is a great thing, and we know the positive impact this has on society. Still, we remain conscious of short-term gains that produce long-term pain for Australian workers moving further into the year's second half.

In these frankly brutal times for SMEs, seeing month-on-month declines in employment within the community as large corporations celebrate record profits is a bitter pill to swallow. With small businesses constituting nearly 99 per cent of our nation's enterprises and providing jobs for 66 per cent of our workforce, it's unsettling to observe in our Index a wage-price spiral engulfing SMEs, coupled with reduced working hours as a strategy to manage overhead pressures.

New insolvency numbers released by ASIC recently showed 995 business collapses had been recorded since July. Undoubtedly, the current landscape tests Australia's employment fabric as both sides acutely feel the pinch.

On the one hand, employees are working fewer hours while grappling with escalating living costs. On the other, businesses confront the harsh reality that expanding work hours might be unfeasible, yet profitability could wane without doing so. It feels like a long road ahead for small businesses, but we must continue to weather this storm together.

When comparing our data against the ABS Wage Price Index, we report on the median hourly rate of pay for Employment Hero users and the percentage change over time. We also consider penalty rates, bonuses, and allowances to provide a more comprehensive picture of SME wage data.

The Employment Hero SME index is 125.3 points in July 2023. Although this is an increase of 7.5 points since July 2022, there has been little growth since June 2023.

As always, the team and I are open to receiving feedback. Please email research@employmenthero.com.

Best,
Ben Thompson

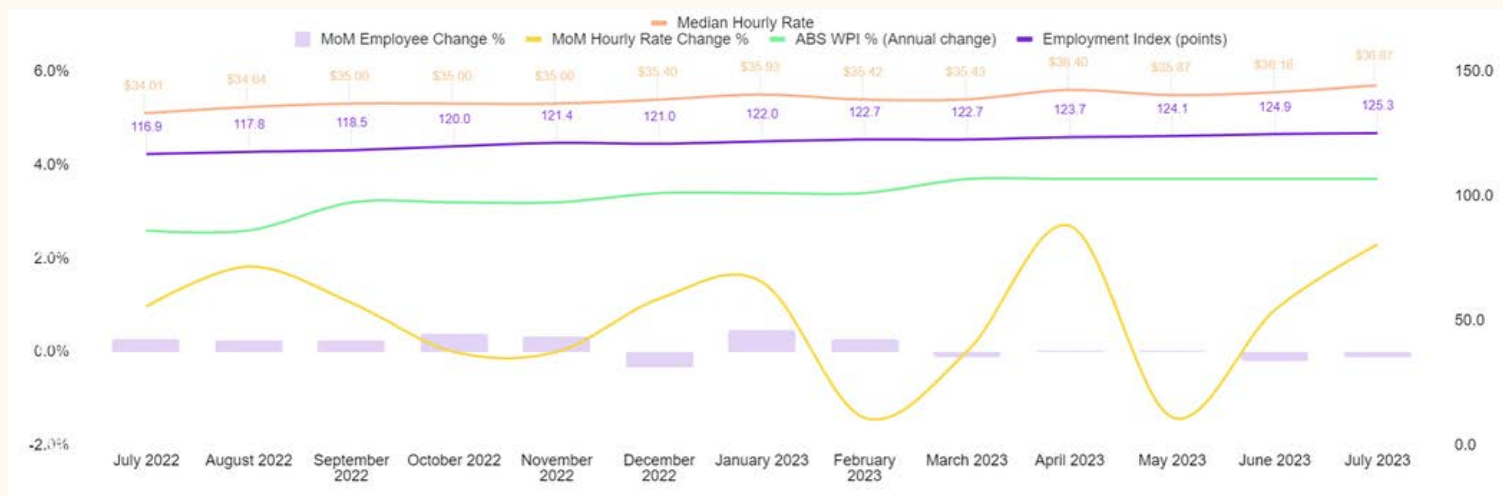


**CEO and Co-founder
Employment Hero**

The Employment Hero SME Index NET employee growth



Employment Hero SME Index



SME Index July 2023

- The Employment Hero SME index is 125.3 in July 2023.
- This is an increase of +7.5 points since July 2022.
- Since June 2023, it has increased by +0.1 points.

Index - July 2023	125.3 points
Monthly Point Change (June 2023)	0.1
Quarterly Point Change (April 2023)	0.3
Semi-annual Point Change (January 2023)	2.0
Annual Point Change (July 2022)	7.5

Marginal decline

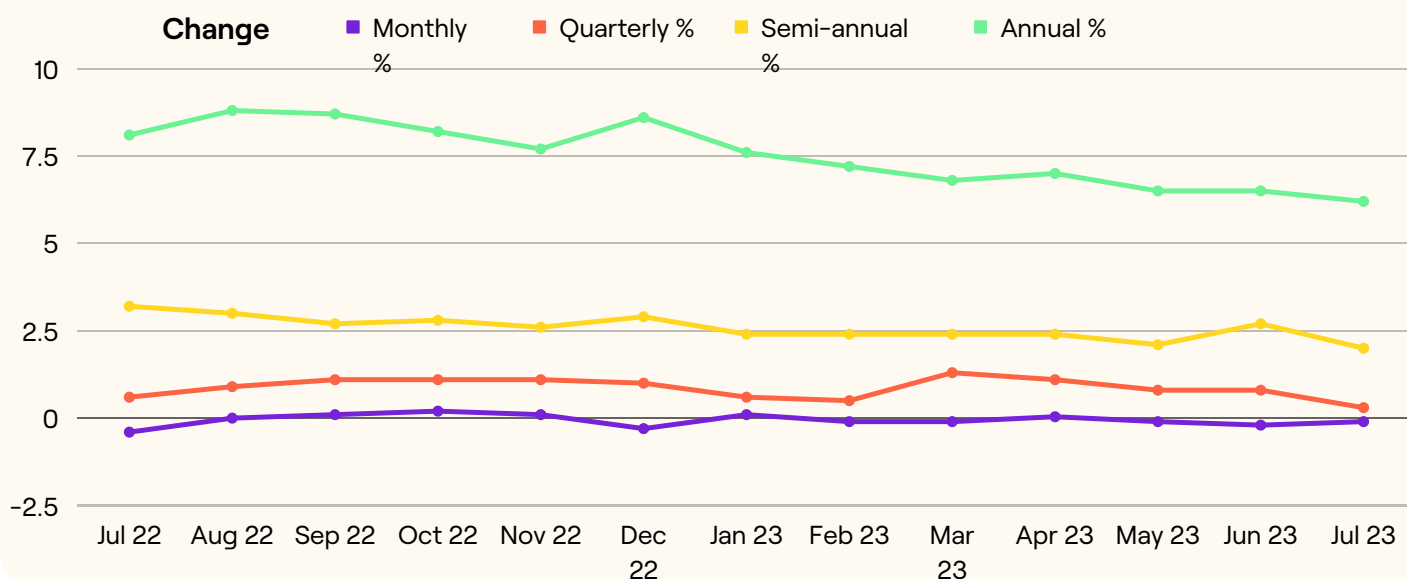
As of July 2023, the Employment Hero SME Index was 25.3 points more than in January 2019, however, average employee growth from June to July 2023 decreased by -0.1%. While year-on-year comparisons show SMEs are still growing (the Index experienced 7.5 point growth between July 2022 and July 2023), growth appears to be stagnating.

NET employee growth

Average employee growth has marginally decreased (-0.1%) since June 2023, while in the past year (Jul 2022) SMEs experienced employee growth of +6.2%.

Employee growth rate change	%
Monthly (Jun 2023)	-0.1
Quarterly (Apr 2023)	0.3
Semi-annual (Jan 2023)	2.0
Annual (Jul 2022)	6.2

NET Employee Growth Rate



State and territory analysis

Compared to a year ago (July 2022), SMEs in every state and territory grew in employment numbers.

- SMEs in Victoria grew the least of all states (+5.6%), followed by SMEs in New South Wales (+6.0%) compared to a year ago (July 2022).
- SMEs in Queensland grew in average employee numbers by +6.1% and those in the Australian Capital Territory and Tasmania grew by +6.4% and +7.0% since July 2022.
- In South Australia, SMEs grew by +8.2% year-on-year over the same period.
- SMEs in West Australia grew in average employee numbers by +8.8% over the same period.
- Finally, SMEs in the Northern Territory grew the most (+10.4%) out of all states since July 2022.

However, average employee growth has been decreasing across states and territories month-on-month.

- SMEs in the Australian Capital Territory saw a month-on-month increase of +0.1%, while SMEs in South Australia saw a slight increase of +0.04% over the same period.
- For SMEs in New South Wales, the Northern Territory, Queensland and Victoria, average employee growth declined by -0.1% since June 2023.
- SMEs in West Australia saw a decrease of -0.2% over the same period.
- SMEs in Tasmania saw the largest decline of -0.3% since June 2023.

% Change	ACT	NSW	NT	QLD	SA	TAS	VIC	WA
Monthly	0.1	-0.1	-0.1	-0.1	0.04	-0.3	-0.1	-0.2
Quarterly	0.2	0.3	1.5	0.5	0.3	0.3	0.2	0.4
Semi-annual	2.5	2.0	3.3	2.2	2.4	1.6	1.7	3.1
Annual	6.4	6.0	10.4	6.1	8.2	7.0	5.6	8.8

Business size analysis

Compared to July 2022, SMEs across all sizes have experienced year-on-year growth. However, small enterprises saw a slight month-on-month decline..

- Smaller enterprises (1-19 employees) grew in average employee numbers by +5.0% since July 2022, but declined by -0.1% since June 2023.
- Medium enterprises (20-199 employees) grew by +18.0% since July 2022, and by +0.5% since June 2023.
- Larger enterprises (200+ employees) grew in average employee numbers by +23.3% since July 2022, and by +0.6% month-on-month.

% Change	1-19 Small	20-199 Medium	200+ Large
Monthly	-0.1	0.5	0.6
Quarterly	0.2	1.7	2.4
Semi-annual	1.7	5.6	7.0
Annual	5.0	18.0	23.3



Industry analysis

Employee growth declined marginally among industries month-on-month, but all industries have experienced growth since July 2022.

- SMEs in Construction & Trade Services grew by +5.0% year-on-year and declined marginally by -0.1% month-on-month.
- SMEs in Healthcare & Community Services declined by -0.01% since June 2023 but grew by +8.8% since July 2022.

- SMEs in Manufacturing, Transport & Logistics grew by +5.4% year-on-year and declined slightly (-0.1%) month-on-month.
- SMEs in Retail, Hospitality & Tourism decreased by -0.2% since June 2023 but grew by +5.5% since July 2022.
- SMEs in Science, Information & Communication Technology grew by +4.1% year-on-year and increased marginally in average employee numbers (+0.2%) month-on-month.

% Change	Construction & Trade services	Healthcare & Community services	Manufacturing , Transport & Logistics	Retail, Hospitality & Tourism	Science, Information & Communication Technology
Monthly	-0.1	-0.01	-0.1	-0.2	0.2
Quarterly	0.3	0.8	0.6	0.1	0.3
Semi-annual	1.8	3.2	1.9	1.6	1.2
Annual	5.0	8.8	5.4	5.5	4.1

Median hourly wage growth



How our median wage growth data is different

Comparing the ABS Wage Price Index and Employment Hero data

- ABS WPI: The WPI measures changes in the price of labour, unaffected by compositional shifts in the labour force, hours worked or employee characteristics.
- EH Median Hourly Rate: Measures the median hourly rate of Employment Hero HR and payroll users and the % change overtime.

Seasonal adjustment	ABS  EH 
Weighting of data	ABS  EH 
Bonuses	ABS  EH 
Penalty rates	ABS  EH 
Allowances	ABS  EH 

FAQ: Why does the average percentage change of the median hourly rates between subgroups not average to the percentage change shown nationally?

A: Because we're calculating the percentage change between time periods using the median hourly rate, where 50% of employees are paid above and 50% of employees are paid below the published hourly rate. When we look at specific groups, like industry or business size, the median hourly rate shifts, meaning that the percentage change will also shift accordingly.

Band for small businesses



Median here

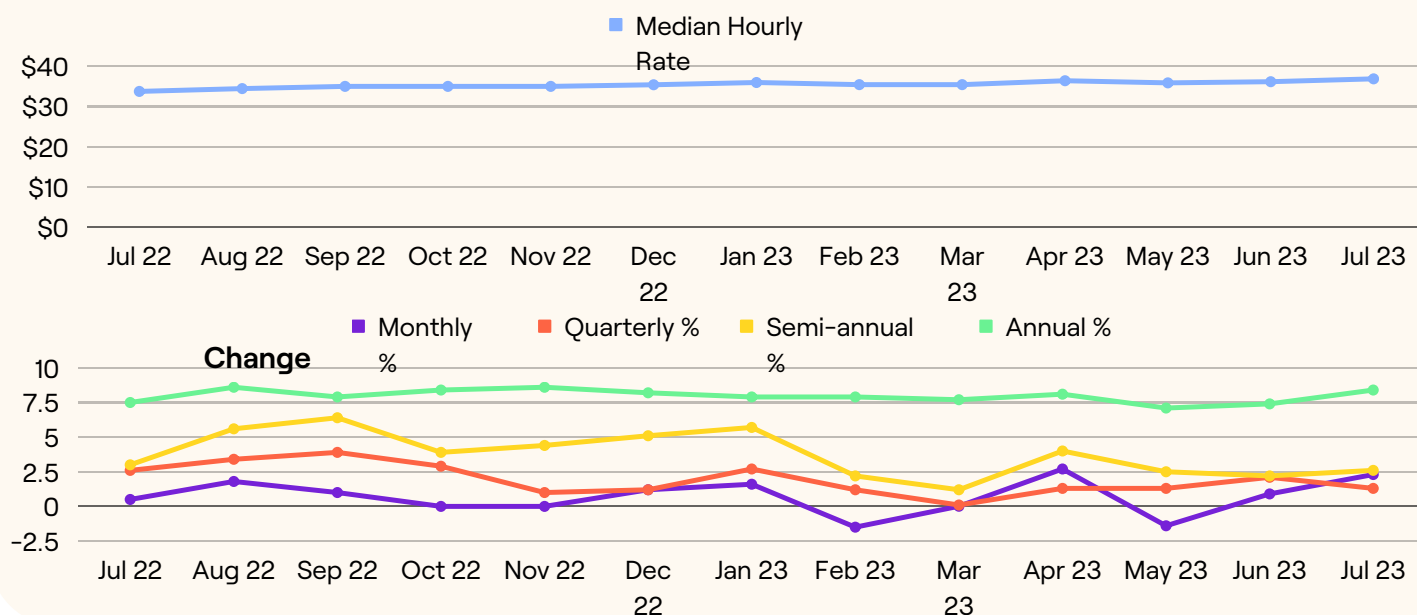
Band for medium businesses

Overall
Median here

Median here

Band for large businesses

Median Hourly Wage Growth



Median wage growth

Median hourly wages have increased by +8.4% in the last year (July 2022), with a month-on-month increase of 2.3%.

The median hourly rate for employees working in Australian SMEs is now \$36.87 AUD, this is \$0.71 AUD more than the previous month.

Median Hourly Rate (AUD - July 2023)	\$36.87
Monthly change (Jun 2023)	2.3%
Quarterly change (Apr 2023)	1.3%
Semi-annual change (Jan 2023)	2.6%
Annual change (Jul 2022)	8.4%

State and territory analysis

SMEs across all states reported growth in Median hourly rates annually, and median hourly rates have also increased month-on-month.

- Median rates in the ACT reported a growth of +10.0% since July 2022, and increased by +1.1% since June 2023.
- Median hourly rates in New South Wales also grew by +8.6% since July 2022, and they increased by +1.4% since June 2023.
- Median hourly rates in the Northern Territory increased by +3.4% since June 2023, and grew by +5.8% since July 2022.
- Median hourly rates in Queensland grew by +8.9% year-on-year and increased by +2.3% month-on-month.
- In South Australia, SMEs median hourly wages increased by +1.9% month-on-month, however they grew by +9.8% year-on-year.
- For SMEs in Tasmania, median hourly rates increased by +1.0% month-on-month and grew by +7.3% since June 2022.
- Median rates in Victoria grew by +7.2% since July 2022, and increased by +1.8% since June 2023.
- Finally, for West Australia SMEs, median hourly rates increased by +1.4% since June 2023 and grew by +6.9% since July 2022.

% Change	ACT	NSW	NT	QLD	SA	TAS	VIC	WA
Median Hourly Rate	\$40.40	\$38.01	\$38.19	\$35.92	\$36.06	\$34.70	\$36.12	\$37.02
Monthly % change	1.1	1.4	3.4	2.3	1.9	1.0	1.8	1.4
Quarterly % change	1.0	0.4	-2.0	1.5	1.8	2.5	0.8	1.8
Semi-annual % change	1.7	2.3	-2.8	2.8	2.1	3.1	2.0	1.9
Annual % change	10.0	8.6	5.8	8.9	9.8	7.3	7.2	6.9

Business size analysis

SMEs of all sizes saw an increase in Median hourly rate growth.

- Median hourly rates of employees in Smaller enterprises (1-19 employees) increased by +1.5% month-on-month, and grew by +7.4% since July 2022.
- Median rates of employees in Medium enterprises (20-199 employees) increased by +2.2% month-on-month, and grew by +7.1% since July 2022.
- Median hourly wages for employees in Larger enterprises (200+ employees) increased since June 2023 (+2.3%), and grew year-on-year (+7.2%).

% Change	1-19 Small	20-199 Medium	200+ Large
Median Hourly Rate (AUD)	\$32.50	\$39.45	\$38.09
Monthly % change	1.5	2.2	2.3
Quarterly % change	1.6	1.2	0.4
Semi-annual % change	2.8	2.3	1.3
Annual % change	7.4	7.1	7.2



Industry analysis

Our top industries show annual growth in median hourly rates since July 2022, and growth in median rates have also increased in more recent times.

- Median hourly rates in Construction & Trade services increased (+0.2%) month-on-month, and median wages for this industry grew by +6.9% year-on-year.
- Median hourly rates for employees in Healthcare & Community Services increased by +2.5% since June 2023 and grew by +8.9% since July 2022.

- Median rates for SMEs in the Manufacturing, Transport & Logistics sector saw a month-on-month increase (+0.9%), and hourly rates in this industry grew by +5.7% year-on-year.
- Median hourly rates in Retail, Hospitality & Tourism also saw a month-on-month increase (+2.0%), and grew since July 2022 by +6.7%.
- Median rates in Science, Information & Communication Technology increased by +1.0% month-on-month and grew by +2.6% since July 2022.

% Change	Construction & Trade services	Healthcare & Community services	Manufacturing, Transport & Logistics	Retail, Hospitality & Tourism	Science, Information & Communication Technology
Median Hourly Rate (AUD)	\$38.53	\$41.63	\$36.83	\$32.00	\$58.00
Monthly % Change	0.2	2.5	0.9	2.0	1.0
Quarterly % Change	1.4	1.0	1.7	1.1	-0.3
Semi-annual % Change	1.9	0.5	4.0	2.1	-0.9
Annual % Change	6.9	8.9	5.7	6.7	2.6

Age group analysis

Median hourly rate growth is varied among age groups.

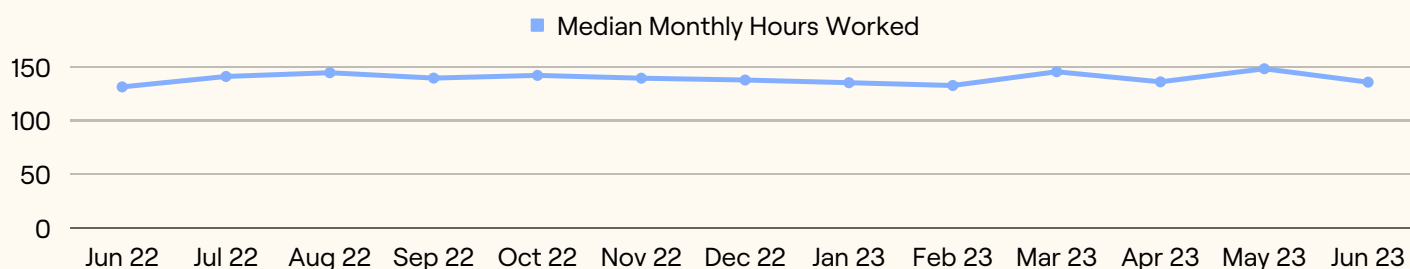
- Since July 2022, median hourly rates grew by +7.2% for Under 18, by +7.1% for 18-24 year olds, by +8.2% for employees aged 25-64, and by +7.5% among 65+.
- Median rates increased among all age groups month-on-month with those in the Under 18s group seeing the largest increase of +2.0%.
- For 18-24 year olds and 25-64 year olds, median rates increased by +1.7% and +1.9% respectively, while median rates for 65+ year olds increased by +1.5%.

% Change	Under 18	18-24 year olds	24-64 year olds	65+ year olds
Median Hourly Rate (AUD)	\$16.83	\$30.36	\$40.00	\$37.22
Monthly % Change	2.0	1.7	1.9	1.5
Quarterly % Change	0.9	1.3	1.8	2.3
Semi-annual % Change	5.2	3.9	2.9	3.2
Annual % Change	7.2	7.1	8.2	7.5

Median monthly hours worked



Median Monthly Hours Worked



FAQ: Why is the report showing data up to the month prior, compared to business growth or median wages?

A: Because the median monthly hours worked uses pay run data which may occur at different cadences and at different times of the month. Therefore, we can only display the monthly hours worked a month in arrears as not all pay-runs for the current month have been processed by clients. Please refer to the methodology section for more information.

Median Monthly Hours growth

This analysis covers the Median monthly hours worked up to the month June 2023.

Median monthly hours worked have increased by +3.5% in the last year (June 2022), with a month-on-month decrease of -8.6%.

The median monthly hours worked for employees working in Australian SMEs is now 135.7 hours for June 2023.

Median Monthly Hours Worked (June 2023)	135.7
Monthly Change (May 2023)	-8.6%
Quarterly Change (Mar 2023)	-6.9%
Semi-annual change (Dec 2022)	-1.5%
Annual Change (Jun 2022)	3.5%

State and territory analysis

SMEs across all states saw a decrease in month-on-month median hours worked, but annual median hours have increased.

- Median hours worked in the Australian Capital Territory reported an increase of +7.5% since June 2022, and a -7.6% decrease since May 2023.
- In New South Wales, the median hours worked grew by +4.7% since June 2022, and decreased by -7.4% since May 2023.
- For the Northern Territory, the median hours worked increased by +7.1% since June 2022, and a month-on-month decrease of -9.0%.
- In Queensland, SMEs median hours worked decreased by -8.1% month-on-month, and had a +4.0% increase since June 2022.
- Median hours worked in South Australia decreased by -7.9% month-on-month, and increased by +18.7% since June 2022.
- For SMEs in Tasmania, median hours worked decreased by -9.8% since May 2023, and saw an annual increase of +5.4% since June 2022.
- SMEs in Victoria reported an annual increase of +3.8% since June 2022, and a month-on-month decrease of -8.2%.
- For Western Australia, SMEs reported an annual increase of +7.6% since June 2022 and a monthly decrease of -7.2% since May 2023.

% Change	ACT	NSW	NT	QLD	SA	TAS	VIC	WA
Median Hours Worked	132.9	143.3	126.5	138.2	128.0	124.1	134.3	127.3
Monthly % change	-7.6%	-7.4%	-9.0%	-8.1%	-7.9%	-9.8%	-8.2%	-7.2%
Quarterly % change	-6.6%	-5.9%	-9.0%	-5.7%	-6.6%	-9.5%	-5.7%	-4.5%
Semi-annual % change	-0.7%	-0.5%	-8.0%	0.8%	-0.9%	-5.5%	-1.9%	-3.2%
Annual % change	7.5%	4.7%	7.1%	4.0%	18.7%	5.4%	3.8%	7.6%

Business size analysis

SMEs of all sizes saw modest growth in the median hours worked.

- Small businesses had a month-on-month decrease of -9.4%, and an annual increase of +6.0% since June 2022.
- For medium businesses, there was a -6.5% decrease since May 2023 and a +1.0% increase since June 2022.
- Large businesses saw a month-on-month decrease of -7.6%, with an annual increase of +17.7% since June 2022.

% Change	1-19 Small	20-199 Medium	200+ Large
Median Hours Worked	122.0	152.0	121.4
Monthly % change	-9.4%	-6.5%	-7.6%
Quarterly % change	-6.1%	-6.0%	-3.2%
Semi-annual % change	-2.2%	0.2%	1.1%
Annual % change	6.0%	1.0%	17.7%



Industry analysis

Overall, most industries saw a month-on-month decrease in Median monthly hours worked, while annual change remained unchanged or increased slightly:

- For organisations in the Construction & Trade Services industry, the month-on-month decrease in median hours worked was -4.4%, and the annual % change remained unchanged.
- Organisations in Healthcare & Community Services saw a -8.7% decrease in median hours worked since May 2023; there was a +4.6% increase since June 2022.

- Monthly median hours worked for the Manufacturing, Transport & Logistics industry decreased by -2.4% since May 2023, but only increased by +0.3% since June 2022.
- For the Retail, Hospitality & Tourism industry, there was a -6.0% decrease since May 2023, and a +4.7% increase since June 2022.
- The Science, Information & Communication Technology industry remained unchanged since May 2023, and also remained unchanged since June 2022.

% Change	Construction & Trade services	Healthcare & Community services	Manufacturing, Transport & Logistics	Retail, Hospitality & Tourism	Science, Information & Communication Technology
Median Hours Worked	166.1	100.0	165.2	114.0	164.7
Monthly % Change	-4.4%	-8.7%	-2.4%	-6.0%	0.0%
Quarterly % Change	-4.2%	-7.3%	-1.8%	-1.9%	0.0%
Semi-annual % Change	-2.4%	-5.0%	-0.9%	-2.4%	1.3%
Annual % Change	0.0%	4.6%	0.3%	4.7%	0.0%

Age group analysis

Across all age groups, there has been a decrease in the month-on-month median hours worked.

- For those under 18, the median number of hours worked has decreased by -0.7% since May 2023, and decreased by -0.2% since June 2022.
- For 18-24 year olds, the month-on-month decrease is -7.6% while the annual increase since June 2022 is +4.8%.
- 25-64 year olds saw a -5.4% decrease since May 2023 and a +2.9% annual increase since June 2022.
- 65+ year olds had a monthly decrease of -10.1% since May 2023 and a +4.4% increase since June 2022.

% Change	Under 18	18-24 year olds	24-64 year olds	65+ year olds
Median Hours Worked	26.6	79.9	153.8	90.6
Monthly % Change	-0.7%	-7.6%	-5.4%	-10.1%
Quarterly % Change	-0.9%	-1.9%	-5.4%	-9.4%
Semi-annual % Change	-26.7%	-12.6%	-1.1%	-1.0%
Annual % Change	-0.2%	4.8%	2.9%	4.4%

Pay component analysis



FAQ: What is included in each pay component breakdown?

A: A definition of each pay component has been included below

- **Base rate:** The base rate of pay includes the minimum award rate or the base rate of pay for employees in an enterprise agreement.
- **Allowances:** Allowances are extra payments made to employees and include things such as mileage, uniforms, equipment, etc.
- **Bonuses:** Bonuses are payments made to employees who exceed their job performance such as exceeding production quotas or sales targets.
- **Leave:** Leave is the money paid out to employees for taking time off from work.
- **Penalty rates:** Penalty rates apply to employees on award rates and are higher pay rates that apply when an employee works particular hours or days such as evenings, weekends or public holidays.
- **Other:** any other payment employees receive in their paychecks.

Pay component analysis

We have conducted a thorough analysis of the different factors that make up an employee's take-home pay in order to identify the reasons behind the increase in median hourly rates.

For this analysis, we gathered anonymous payroll data from organisations that used either Xero or MYOB payroll and stored their payslips on Employment Hero.

We grouped over 72,000 unique pay categories into six categories for more than 8,000 organisations and their collective 700,000 employees.

To ensure reliable results, we excluded data from cases where the sample size was smaller than 200 organisations for either the reference month (July 2022) or the analysis month (July 2023). We also adjusted the median figures if outliers significantly affected the results, limiting the year-on-year change to a maximum of 25% (>25%).

While we continue to gather and process additional data from payslips on Employment Hero Payroll, we are providing an initial overview of the partial results below.

According to our preliminary results, the annual growth (June 2022) in Median hourly rates is reflected in the growth of individual pay components over the same period.

- Median employee base rates have increased year on year by +9.2%.
- This increase had a cascading effect on allowances (+14.0%) and penalty rates (+19.6%) which also increased over the same period.
- Median bonuses on the other hand increased the least, by +0.9% since June 2022.

June 2023	Annual % change
Base rate	14.7%
Allowances	14.6%
Bonuses	1.7%
Leave	3.9%
Penalty rate	17.6%
Others	2.4%

State and territory analysis

While the Median base rates, Allowances and Penalty rates have increased across all states and territories compared to July 2022, Bonuses have not.

- In New South Wales, employees saw their median base rates grow by +12.3% since July 2022, while penalty rates and allowances grew by +16.7% and +13.8% respectively over the same period. Bonuses grew by +1.6% over the same period.
- In Queensland, SME employees' median base rates increased by +14.6%, while allowances and bonuses increased by +13.8% and +1.6% respectively in the past year.
- For SME employees in South Australia, median based rates increased by +15.0% and penalty rates increased by >25%. Allowances increased by +14.4% year-on-year.
- Since July 2022, SMEs employees in Victoria experienced growth on median base rates (+12.6%), penalty rates (+5.8%), allowances (+11.6%) but bonuses declined (-3.7%).
- In Western Australia, employees' median base rates grew by >25%, penalty rates grew by >25.0%, bonuses grew by 7.2% and allowances grew by +11.3%.

Annual % change (May 2022)	Base rate	Allowances	Bonuses	Leave	Penalty rate	Others
NSW	12.3%	14.0%	1.6%	2.4%	16.7%	-1.5%
QLD	14.6%	13.8%	1.6%	4.2%	>25%	-8.6%
SA	15.0%	14.4%	n/a	2.2%	>25%	n/a
VIC	12.6%	11.6%	-3.7%	1.0%	5.8%	3.7%
WA	27%	11.3%	7.2%	12.6%	>25%	n/a

Business size analysis

Across SMEs of various sizes, median base rates, penalty rates, allowances and bonuses have mostly increased since July 2022.

- For employees from small businesses, median base rates have increased by +8.0%, median penalty rates have increased by +7.1%, median allowances have increased by +16.0% while median bonuses have decreased by -2.4% since June 2022
- For employees from medium businesses, median base rates have seen a year-on-year increase of +13.2%, median penalty rates by +12.8%, median allowances by +12.7% and median bonuses by +2.3%.

Annual % Change	1-19 Small	20-199 Medium
Base rate	8.0%	13.2%
Allowances	16.0%	12.7%
Bonuses	-2.4%	2.3%
Leave	7.4%	4.6%
Penalty rate	7.1%	12.8%
Others	n/a	16.1%



Industry analysis

Median base rates and, as a result, allowances and penalty rates, have mostly increased across employees in all industries since July 2022:

- For employees in the Construction & Trade Services industry, median base rates grew by +12.7%, median allowances by +13.0% and penalty rates decreased by -1.0% since July 2022.
- Employees in Healthcare & Community Services saw their year-on-year median base rates increase by +19.3%, their median allowances by +19.9% and their median penalty rates by +20.0%
- Employees in the Manufacturing, Transport & Logistics industry had an increase of +30.6% to their median base rates and +12.2% to their median penalty rates since July 2022. Median allowances increased by +10.6%.
- For the Retail, Hospitality & Tourism industry, employees experienced a year-on-year median base rate increase of +18.1%, a median penalty rate increase of +10.6% and a +14.3% increase in median allowances.
- Employees in the Science, Information & Communication Technology industry saw a +9.3% increase in their median base rate since July 2022.

Annual % change	Base rate	Allowances	Leave	Penalty rate
Construction & Trade Services	12.7%	13.0%	9.3%	-1.0%
Healthcare & Community Services	19.3%	19.9%	3.5%	20.0%
Manufacturing, Transport & Logistics	30.6%	10.6%	9.6%	12.2%
Retail, Hospitality & Tourism	18.1%	14.3%	4.0%	10.6%
Science, Information & Communication Technology	9.3%	n/a	n/a	n/a

Age group analysis

The median base rate grew for employees of all age groups year-on-year.

- For 18-24 year olds, their median base rate had a year-on-year increase of +18.9%, their median allowances by >25%, median bonuses by +6.8% and median penalty rates by +9.8%.
- For 25-64 year olds, they experienced growth on median base rates by +13.9%, penalty rates (+20.4%), allowances (+7.5%) and bonuses (+9.1%) since July 2022.
- For 65+ year olds, they saw a +10.2% year-on-year increase in median base rates and a +9.1% increase in bonuses. They also saw a +7.5% increase in median allowances and a +20.4% increase in penalty rates.

Annual % Change	18-24 year olds	25-64 year olds	65+ year olds
Base rate	18.9%	13.9%	10.2%
Allowances	>25%	13.2%	7.5%
Bonuses	6.8%	-0.2%	9.1%
Leave	5.6%	3.3%	-2.1%
Penalty rate	9.8%	17.0%	20.4%
Others	-14.3%	5.4%	n/a

Methodology

Employment Hero is the world's leading HR, payroll and benefits platform. The award-winning employment software helps launch businesses on the path to success by powering more productivity every day. Employment Hero services approximately 200,000 businesses, collectively managing over 1+ million of employees globally.

The Employment Hero SME Index uses an accumulative dataset of 140,000+ Australian SMEs, and 1.4+ million employees.

[To find out more visit
www.employmenthero.com](https://www.employmenthero.com)

The Employment Hero SME Index

The Employment Hero SME Index is created from the average number of employees per business in comparison to January 2019.

- The index number for a particular period represents the average number of active employees per business in that period relative to the average number of employees in Jan 2019, for which the index has been set to equal 100.0.
- An index number of 95 means the average number of employees per business during that period was 5% lower than the average number of employees per business in Jan 2019. On the other hand, an index of 125 means the average number of employees per business during that period was 25% higher than the average number of employees per business in Jan 2019.

- The value of index numbers stems from the fact that index numbers for any two periods can be used to directly calculate business size change between the two periods.
- Please bear in mind that the historic index figure may change in future releases if our customers backfill the records, e.g. updating the end date of the employee as previous months. This is most common during the end of the calendar and financial years.

Subgroup analysis

- The average growth rate of SMEs is calculated using the following formula:
$$\frac{\text{Number of employees for the current month/quarter/six months/year} - \text{Number of employees for the previous month/quarter/six months/year}}{\text{Number of employees for the previous month/quarter/six months/year}}$$
- We have ensured that enough sample has been included in our analysis in order to satisfy a 95% Confidence Interval with an 8% margin of error. When this was not possible we removed the data point from our analysis.
- Outliers were removed using the z score for the growth rate taken between -1.96 and 1.96.
- Readers should bear in mind that medium to larger SMEs (20-500 employees) represent a large proportion of Employment Hero customers compared to Australian businesses overall, which skew smaller (1-10 employees).

Data source

Business: All Employment Hero businesses were included in the analysis.

Test accounts and non-Australian businesses are excluded from the analysis.

- The size of a company is determined in each time period by the total number of paid employees.
- A company may change from '1-19' to '20-199' size brackets, for example, if over time they grow past 19 salaried employees, according to the pay run of the time period in question.

Number of Employees: The number of employees per business is sourced by each company's pay run. Test accounts and test employees are removed from the analysis.

- The size of a company is determined in each time period by the total number of paid employees.
- A company may change from '1-19' to '20-199' size brackets, for example, if over time they grow past 19 salaried employees, according to the pay run of the time period in question.
- When an overlap between business/organisation records from Employment Hero HR and Employment Hero Payroll exists, we have referenced data from Employment Hero HR for the number of employees.

Earnings: Earnings are based on Employment Hero HR payslips or Employment Hero Payroll pay run records.

- When an overlap between employee earnings from Employment Hero HR and Employment Hero payroll exists, we reference pay run records from Employment Hero payroll.
- The median hourly wage has been calculated by dividing Gross earnings by the number of hours worked.
- It includes all paid employees including younger employees (individuals aged 18 and below), or those on internships and awards with special provisions.

Location: Business and Employee locations are sourced from the employee address field.

- Data cleansing was carried out on the postcode and state/territory field. If the data could not be classified, the data was left as 'null' and not shown in our analysis.
- Region data is approximated from the postcodes provided. We mapped the SA4 region to postcode to determine State and Region. If a postcode had more than 1 region mapped, the region with the most suburbs within that postcode was chosen.

Industry: Industry information is sourced from the Employment Hero HR or Employment Hero payroll industry field.

- For Employment Hero HR and Employment Hero payroll, we reference the industry dropdown field in our platform, which is optional for customers to fill in.
- Zoominfo has been used to augment industry data where the industry information on Employment Hero HR and Employment Hero payroll was not specified or 'Other' was selected by the customer.
- When augmentation with Zoominfo data was not available, customers' industry is represented as 'Other'.
- Customer industries were consolidated into different categories, we have only shown the top 5 industries based on Employment Hero HR and Employment Hero payroll augmented industry data.

Pay component analysis: The pay component analysis uses anonymised employee payslip data for organisations with an API to Xero or Myob payroll, for all the payslips processed during that month.

- We have categorised more than 72,000 distinct pay categories into 6 groups for more than 8,000 organisations and approximately 700k employees for available data since 2017.
- In our analysis we have excluded results where the sample size was lower than 200 organisations for either the reference month (i.e. July 2022) or the analysis month (i.e. July 2023).
- When outliers skewed the Median figures, we have capped this to >25% year on year change.
- The analysis shows the percentage change of the median NET earnings across key subgroups and time periods.

FAQs

Why does the sample size change?

We onboard and offboard businesses and their employees every day, however in our analysis we exclude those who have partial data (less than two time periods) and remove outliers in our analysis.

How is The Employment Hero SME Index different from the monthly ABS dataset?

We've designed this index to provide complementary information to the monthly ABS Labour Force data. The SME index focuses on business growth/decline as well as median wage changes, you can see detail on SMEs, states and territory analysis and industry trends.

In Australia, 99% of businesses are SMEs and they employ roughly 70% of the Australian workforce.

Why is the data different from the first report?

Specific to the first report, the historic index figure has changed because some of our customers have backfilled their employee records. eg. updating the end date of the employee as in previous months.

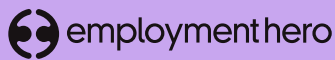
We have taken feedback onboard and have made improvements to our modelling to account for seasonal workers (or workers who are not paid with a regular cadence) so the data is less volatile.

We have aligned our Wages analysis by showing median values so this data can be compared to ABS releases.

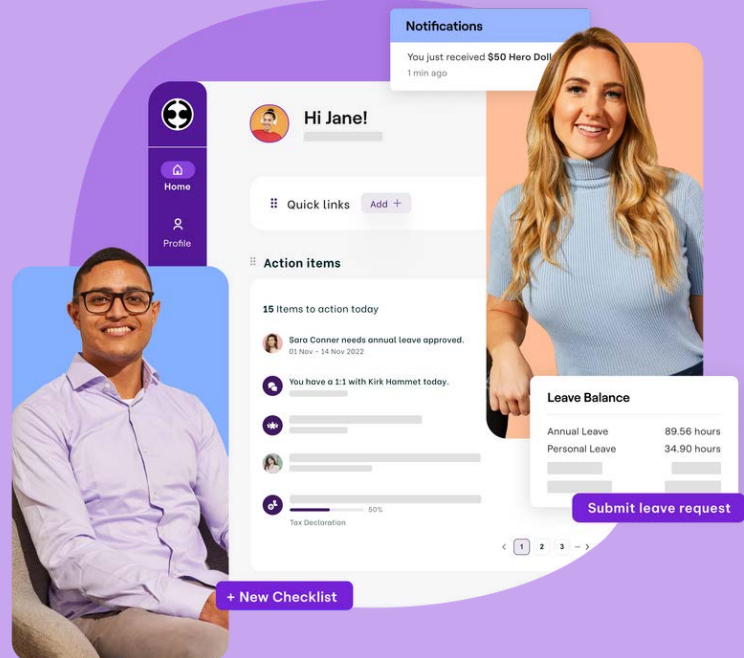
What is included in each individual pay component?

Each individual pay component is comprised by the following:

1. Base rate: The base rate of pay includes the minimum award rate or the base rate of pay for employees in an enterprise agreement.
2. Allowances: Allowances are extra payments made to employees and include things such as mileage, uniforms, equipment etc.
3. Bonuses: Bonuses are payments made to employees who exceed their job performance such as exceeding production quotas or sales targets.
4. Leave: Leave is the money paid out to employees for taking time off from work.
5. Penalty rates: Penalty rates apply to employees on award rates and are higher pay rates that can apply when an employee works particular hours or days such as evenings, weekends or public holidays.
6. Other: Any other payment employees receive in their paychecks.



How can Employment Hero transform your business?



Employment Hero is the world's leading HR, payroll and employee engagement platform. Its powerful employment platform and groundbreaking employment superapp, Swag, are changing work for the better.

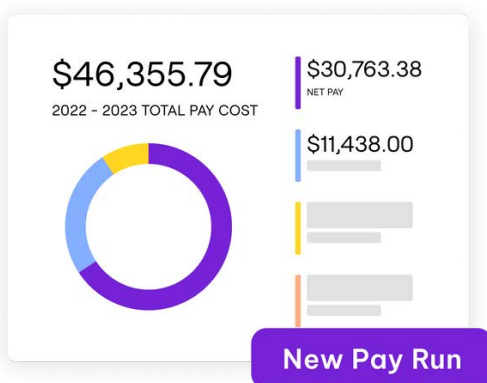
Our award-winning employment software helps launch businesses on the path to success by powering more productivity every day. Employment Hero services over 200,000 businesses and its core platform reduces admin time by up to 80 per cent.

Employment Hero is launching employers toward their goals, powering more productive teams and taking employment to rewarding new heights. For more information visit employmenthero.com

Take a look at some of our powerful features.

Our features include:

- Paperless onboarding
- Self-service employee details
- 1:1s
- Feedback
- OKRs (Objectives and Key Results)
- Timesheets
- Employee happiness surveys
- Learning management system
- Reward and recognition
- Insightful data and reporting
- Custom surveys
- Plus so much more...



	Mon 14	Tue 15
Sam Healing	9am - 5pm 8hrs 0m	
Jack Green		9am - 5pm 8hrs 0m
Ada Smith	9am - 5pm 8hrs 0m	

Accepted shifts
Published shift



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