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Use of labour hire and contract workers in Australia

Geoff Gilfillan
Statistics and Mapping

Executive summary

There has been some debate over the past 2 decades as to whether Australian businesses and organisations in the public sector have increasingly been resorting to the use of labour hire workers and contract workers to meet their labour needs rather than employing workers directly.

This paper seeks to shed light on trends in the use of labour hire and contract workers in Australia to satisfy employer demand for labour, as well as the characteristics of these types of workers.

The data shows labour hire arrangements have been a feature of the Australian economy for several decades, but they account for a relatively small and stable percentage of the workforce.

Labour hire workers are defined as employees that found their current job through a labour hire firm or employment agency and are paid by the labour hire firm/employment agency.

Australian Bureau of Statistics (ABS) [Labour Account](#) data shows 327,100 people were working in the Labour supply services industry in June 2023.¹ These workers accounted for 2.3% of all employed people.² Note that this estimate includes workers on-hired to other businesses and organisations as well as employees engaged in administrative, managerial and support roles for labour hire firms in the process of engaging and supplying labour hire workers. It is not possible to disaggregate those working in supportive administrative roles from those who are on-hired.

Labour hire workers peaked at 354,700 in March 2020 and then fell by 48,000 or 13.5% through to June 2020 resulting from lockdowns imposed to limit the spread of COVID-19.

ABS data reveals casual employees suffered the most in terms of job loss after the imposition of COVID-19 lockdowns, and job recovery since was slower for these employees after the economy re-opened.³

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1. Labour supply services are characterised by business units mainly engaged in supplying their own employees to other businesses on a fee or contract basis i.e. where assignments are mainly on a temporary or short-term basis and performed under the supervision of staff of the business they are on-hired to.
 2. While labour hire workers are classified as being employed in the Labour supply services industry, not all people working in Labour supply services are labour hire workers. The sector also employs people engaged in administrative, managerial and support activities associated with supplying labour hire workers to other businesses. These workers cannot be separately identified in the data.
 3. Geoff Gilfillan, [COVID-19: Labour market impacts on key demographic groups, industries and regions](#), Statistical snapshot, Research paper series, 2020–21, (Canberra: Parliamentary Library, 2020), 10.



Labour hire employees are much more likely to be employed on a casual basis than other employees.

- Around 83.6% of labour hire employees did not have access to paid leave entitlements in August 2022 compared with 23.4% of all employees.

Labour hire workers are disadvantaged by the lack of certainty and reliability regarding current and future earnings and hours of work. But they appear to be relatively secure in terms of their perceptions about keeping their job.

- Around 43.4% of labour hire workers reported in August 2022 they experienced variable earnings from week to week (compared with 24.3% of all employees); 28.6% worked irregular hours from week to week (compared with 20.4% of all employees); and 43.8% were not guaranteed a minimum number of hours each week (compared with 20.6% of all employees).

Just under 81% of labour hire employees expected to be with the same employer in their main job in 12 months (compared with just over 90% of all employees). Of those who did not expect to be with their current employer in 12 months well over a half reported personal reasons for leaving and none expected to be retrenched in the coming year.

Employees on fixed-term contracts

An employee on a fixed-term contract is engaged in employment that will be terminated on a particular date or after an event (such as the completion of a project). There were 345,400 employees engaged on a fixed-term contract working in August 2023, accounting for 2.9% of all employees (down from a 4.1% share in August 2016).

Just under 80% of employees on fixed-term contracts expected to be with their current employer in 12 months. This finding suggests many expect to roll over on to a new contract with their current employer once their current contract expires.

Public sector agencies are much more likely to employ people on fixed-term contracts than their private sector counterparts. The fixed-term contract employee share of total employment was almost 5 times higher in the public sector (9.2%) compared with the private sector (1.8%) in August 2022.

Independent contractors

An independent contractor operates their own business and is contracted to perform services for others without having the legal status of an employee. They are also characterised as having a high level of control over the work they perform, including their hours of work, work location and how they do the work.

ABS data shows of the just over 1.1 million independent contractors working in Australia in August 2022, around 429,700 (or 38.4%) reported they did not have authority over their own work. This finding suggests that many workers classified as independent contractors may be closer to employees in terms of lack of authority over the work they perform, but do not enjoy the same legal status or protections as other employees.

In the 12 months to August 2023, the number of independent contractors fell by 70,600 or 6.3% across Australia to 1,048,900. This coincided with a fall in the independent contractor share of total employment from 8.2% to 7.5%. The construction industry accounted for the largest share of all independent contractors in August 2023 at 278,100 or a 26.5% share.

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Background

The Australian labour market and economy has undergone substantial structural change over the past 40 years, including the emergence and strong growth of a range of service industries. This change has driven employer demand for different occupational skills and more flexible forms of employment to produce the goods and services demanded by consumers in a modern Australian economy.

Different forms of employment – often described as non-standard employment – have emerged as hiring options for employers. The International Labour Organization (ILO) refers to non-standard work as:

... an umbrella term for different employment arrangements that deviate from standard employment. They include temporary employment [or fixed-term contracts]; part-time and on-call work; temporary agency work and other multiparty employment relationships [or labour hire]; as well as disguised employment and dependent self-employment.⁴

Note that the ILO does not include casual employment in its discussion of non-standard employment as this form of employment is almost unique to Australia. In several OECD countries there is evidence of the increasing use of “on-call” contract workers, “short part-time” workers and “zero-hour” contracts (where there are no guaranteed hours of work).⁵ These types of workers could be considered similar to casual employees, but their tenure is predominantly temporary.

In contrast casual workers in Australia can be with the same employer for several hours, days, months or years. One ABS data source showed in February 2021, 58% of casual workers in Australia had been with their current employer for over 12 months and 27% had been with their current employer for 3 years or more.⁶ In other words the employment relationship is not necessarily temporary. This phenomenon has contributed to the coining of the concept of the term “permanent casuals” in Australia⁷, whereby casual workers continue to work for the same employer but have less certainty about the length and timing of future hours and earnings, along with the lack of access to paid leave entitlements.

The ILO has cautioned firms against becoming too dependent on the use of non-standard employment (NSE) which they claim can have negative impacts on their own economic performance.

An over-reliance on NSE can lead to a gradual erosion of firm-specific skills in the organization, limiting its ability to respond to changing market demand. While there may be some short-term cost and flexibility gains from using NSE, in the long run, these may be outweighed by productivity losses. There is evidence that firms that use NSE more, tend to underinvest in training, both for temporary and permanent employees, as well as in productivity-enhancing technologies and innovation.⁸

The ILO has highlighted potential risks to workers engaged in non-standard employment including the increased likelihood of job insecurity, lower relative earnings for these workers, irregular and uncertain hours of work and its negative implication for having a satisfactory work/life balance.

4. International Labour Organization, [Non-standard Employment Around the World](#), 2016, 9.

5. OECD Employment Outlook 2019, [Future of Work](#), 60

6. ABS, [Characteristics of Employment](#).

7. David Peitz, [We need more than a definition change to fix Australia’s culture of permanent ‘casual’ work](#), The Conversation, 31 July, 2023.

8. International Labour Organization, [Non-standard Employment Around the World](#), 2016, 20.

The ILO also emphasised the increased possibility of workplace accidents due to poor induction and training.⁹

Why do employers use labour hire and contract workers?

By recruiting labour hire workers, employers can avoid or transfer the responsibility for providing leave and other employee entitlements. From an employer's perspective these arrangements provide flexibility by facilitating short-term hiring during periods of increased business activity and circumvents the need to retain workers during periods of more subdued activity.

From an employee's perspective labour hire and contract work provides opportunities for people to get a foothold in the labour market which may not be available under a more rigid regulated labour market. However, growth in labour hire employment may also contribute to more people becoming dependent upon more precarious and irregular forms of employment given most labour hire workers do not have access to paid leave arrangements and have less certainty about their future hours of work.

Sources of data used in this paper

Different data sources have been used to understand how many labour hire and contract workers there are in Australia, their characteristics, conditions of employment and relative job stability. The sources are summarised in the table below.

Table 1 Summary of data sources used to measure extent and characteristics of labour hire and contract work

Data source	Data attributes and disadvantages
ABS, Labour Account	The best source of data for industry employment and jobs including the size of the Labour supply services sector. No data is available on demographic characteristics of employees.
ABS, Characteristics of Employment (COE)	The best source of data for demographic characteristics of labour hire workers and contract workers as well as their pay, working conditions and job stability. Questions on labour hire are asked in the supplementary Labour Force survey at two yearly intervals.
ABS, Jobs in Australia (JIA)	Uses data from the Australian Taxation Office and the Linked Employer-Employee Dataset (LEED) to understand characteristics of people in jobs as well as the number of jobs generated by labour hire companies and employment agencies over a 12-month period. ¹⁰

9. Michael Quinlan, [The effects of non-standard forms of employment on worker health and safety](#), Conditions of Work and Employment Series, 67, (Geneva: International Labour Office, 2015), 6.

10 JIA estimates are published annually. but the data takes time to collect and process, given they rely on the results of individual tax returns and business Income Statements. For example, JIA data for 2020-21 was released in December 2023.

Definition of labour hire employees

Labour hire employees are defined by the ABS as people who ‘found their job through a labour hire firm/employment agency and are paid by the labour hire firm/employment agency’.¹¹ For a more detailed definition of labour hire workers see the Appendix.

Labour hire firms and agencies undertake the screening, selection, and placement of people and engage in the supply of their own employees to employers for a specified period at a contracted price. The labour hire firm pays the individual employee (the labour hire worker) their wage or salary. Labour hire workers are employees of a labour hire firm, rather than the firm that they are on-hired to. In a labour hire employment arrangement, there is no direct employment or contractual relationship between the host and the labour hire worker. Instead, the worker is engaged by the labour hire agency, either as an employee or as an independent contractor.¹²

Trends in use of labour hire employees

The primary source for estimates of labour hire employees used until recently was the ABS [Characteristics of Employment](#) (COE) data series, which is conducted as a supplementary survey to the Labour Force survey in August of each year.

There has been some conjecture as to whether responses to the ABS Labour Force survey captures all people working in the labour hire industry. The accuracy of these estimates is contingent upon household survey respondents understanding whether they, or another member of the household, are an employee of the labour hire firm or employment agency and are paid by them, rather than the firm or organisation they are on-hired to (also known as the host company).¹³ For example, household survey participants may respond that they or another household member, work in the industry sector they are on-hired to (such as manufacturing or mining) rather than the industry status of the labour hire firm they are paid by (which is the Labour supply services sector in the Administrative Services industry).

The possible under-reporting of numbers of labour hire employees was discussed in the 2022 report of the Senate Select Committee on Job Security.

ABS data on labour hire is confusing at best—misleading at worst. Survey report after survey report—*correctly cited*—allows commentators to argue that labour hire and temporary third-party employment are not increasing in Australia. All the while, the industry grows, increasing in size and value, and reporting more and more jobs in its industry-level data.¹⁴

In the report the Senate Committee recommended:

... the Australian Government provides funding and support to the Australian Bureau of Statistics (ABS) to enable the ABS to reconcile information from the Characteristics of Employment, Labour Account, and Jobs in Australia releases in order to provide clearer and more coherent information on labour hire employment in Australia.¹⁵

11. Australian Bureau of Statistics (ABS), [Characteristics of Employment, Australia methodology](#), Glossary (Canberra: ABS, August 2023).

12. Anthony Forsyth (Chair), [Victorian Inquiry into the Labour Hire Industry and Insecure Work](#), Final Report, (Melbourne: Department of Economic Development, Jobs, Transport and Resources (Vic), 2016).

13. ABS, [Labour hire workers](#), June 2022.

14. Senate Select Committee on Job Security, [The job insecurity report](#) (Canberra: The Senate, 2022), 40.

15. Senate Select Committee on Job Security, 42.

This recommendation contributed to the publication of [new estimates for labour hire workers](#) using data from the ABS Labour Account which were first published in December 2022, and later updated in September 2023.¹⁶

Number of people working for Labour supply services

The number of people working in the Labour supply services industry sector is used by the ABS as a proxy for the number of labour hire employees in Australia. According to the ABS:

Labour supply services are characterised by business units mainly engaged in supplying their own employees to other businesses on a fee or contract basis i.e. where assignments are mainly on a temporary or short-term basis and performed under the supervision of staff of the business they are on-hired to.¹⁷

While labour hire workers are classified as being employed in the Labour supply services industry, not all people working in Labour supply services are labour hire workers. The industry sector also employs people that are engaged in administrative, managerial and support roles associated with supplying labour hire workers to other businesses. These workers cannot be separately identified in the data. Consequently, the estimates may overstate the number of ‘true’ labour hire workers who are on-hired to businesses and other organisations. But it is unclear by how much.

The ABS publishes one digit and 2-digit Australia and New Zealand Standard Industrial Classification (ANZSIC) employment estimates on a quarterly basis in its [Labour Account series](#). These are much broader and higher-level classifications for industries which don’t reveal employment estimates for on-hired workers employed by labour hire companies.

Following the request from the Senate committee, the ABS drilled down further into available data sources to get information on employment for the 4-digit (7212) industry class of Labour supply services using a combination of Labour Account and [Jobs in Australia](#) data to produce estimates for the sector back to November 1994. The Labour supply services sector sits under the 2-digit Administrative Services (72) industry subdivision which in turn sits under the 1-digit Administrative and Support Services industry division.¹⁸

This data source provides a more useful and more reliable longer term data series for numbers of labour hire workers than estimates available from COE.¹⁹ Labour Account estimates draw on several separate ABS data sources including the [Australian National Accounts](#), Quarterly Business Indicators Survey (QBIS), Economic Activity Survey (EAS), Public Sector Employment and Earnings (PSEE), the Labour Force Survey (LFS), the Survey of Employee Earnings and Hours (EEH) and the Linked Employer-Employee Database (LEED).²⁰ The inclusion of business survey information in particular enables more accurate and robust estimates of labour hire workers.

Note that employment estimates for the Labour supply services sector are not published quarterly as part of the regular release of Labour Account data. The ABS releases new estimates as part of its [Labour hire workers](#) updates as soon as practicable after the release of new COE data and Labour Account estimates for the June quarter.

16. ABS, [Labour hire workers](#), June 2023.

17. ABS, [Labour hire workers methodology](#), June 2023.

18. ABS, [ANZSIC Numbering system and titles](#).

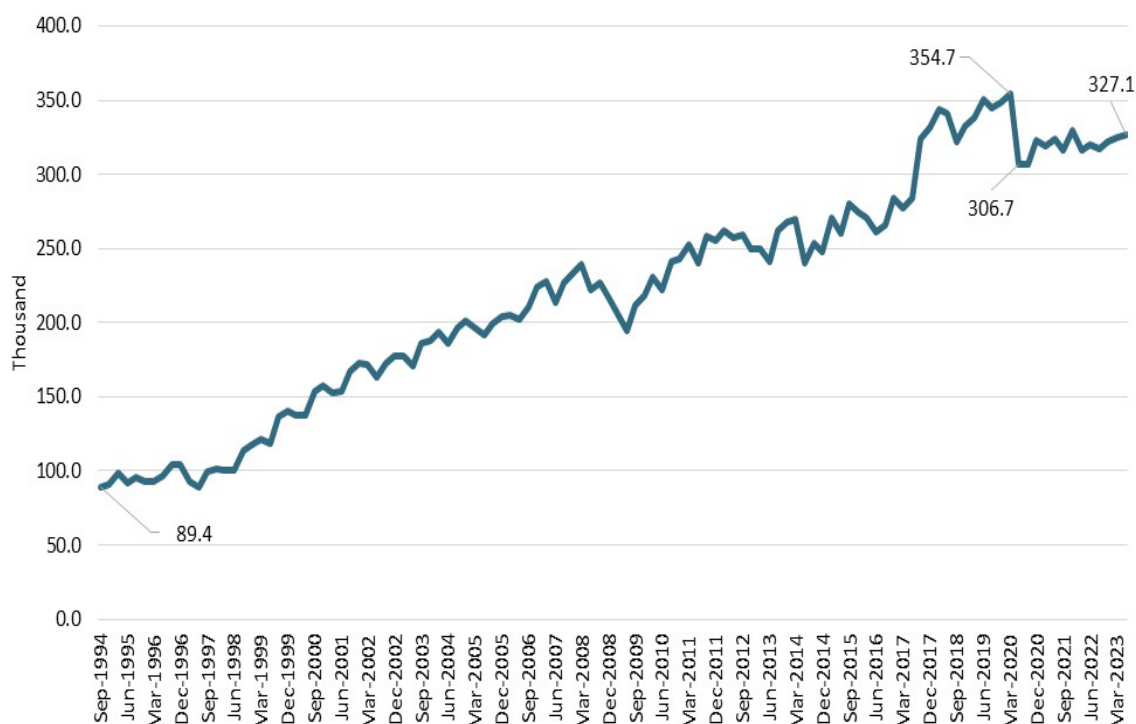
19. ABS, [Labour hire workers methodology](#), Labour Account (Canberra: ABS, June 2023).

20. ABS, [Labour hire workers methodology](#), June 2023.

Employment in Labour supply services grew steadily from 89,400 in September 1994 to a peak of 354,700 in March 2020 – just before the outbreak of COVID-19 (see Figure 1).

Employment in the sector subsequently fell by 48,000 or 13.5% to 306,700 in the 3 months to June 2020, after the imposition of lockdowns introduced by governments to combat the spread of COVID-19. The number of labour hire workers has recovered slightly in the 3 years since – up 20,400 or 6.7% to 327,100 in June 2023 (see Figure 1). By comparison, employment across the whole economy grew by 1.8 million or 14.3% in the 3 years to June 2023 (in original terms).²¹

Figure 1 Number of workers employed in Labour supply services, 1994 to 2023

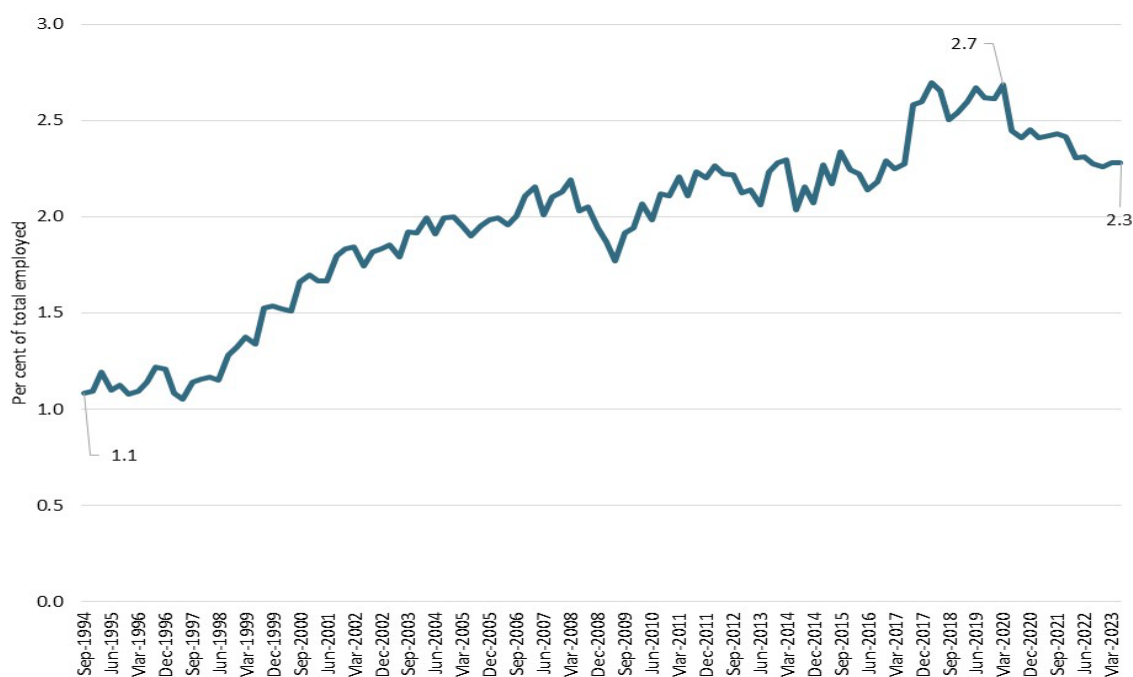


Source: Australian Bureau of Statistics (ABS), [Labour Hire Workers](#) (Canberra: ABS, June 2023), Table 1.

The Labour supply services sector share of total employment in Australia steadily increased from 1.1% in September 1994 to a peak of 2.7% in March 2018, and was last recorded at 2.3% in June 2023 (see Figure 2).

²¹ ABS, [Labour hire workers](#), June 2023.

Figure 2 Labour supply services employment share of total employment, 1994 to 2023



Source: Australian Bureau of Statistics (ABS), [Labour Hire Workers](#) (Canberra: ABS, June 2023), Table 1.

Characteristics of labour hire workers

To get information about the characteristics of labour hire workers we have drawn on the ABS [Characteristics of Employment](#) (COE) survey data as well as the ABS [Jobs in Australia](#) (JIA) data series. Data for characteristics of labour hire workers from COE are available at 2-yearly intervals, with the most recent data being August 2022.

COE was considered by the ABS to be one of the most useful data sources for demographic characteristics and working conditions of labour hire workers. Note that to avoid confusion with labour hire employee estimates available from the Labour Account data series emphasis has been made on the percentage of labour hire workers exhibiting demographic characteristics, working arrangements and indicators of job stability rather than numbers of workers.

Not all people who found their current job through a labour hire company or employment agency are paid by them. Of employees who reported finding their current main job through a labour hire firm or employment agency in August 2022, 24.1% were paid by the labour hire firm or agency and the remaining 75.9% were not paid by the labour hire firm or employment agency (in their main job).²² It is the former group that we concentrate on in this report.

Demographic characteristics

The ABS COE data series shows just under two thirds (63.5%) of labour hire workers in August 2022 were men, which compares with a male 50% share of all employees. The data also shows 45.1% of labour hire employees were under the age of 35 years, which compares with this age group's 41.1% share of all employees. Just under half (49.7%) of labour hire workers were born

²² ABS, [Labour hire workers](#), Table 3, Selected characteristics of labour hire workers, Aug 1998 – Aug 2022 (COE).

overseas. By comparison just under a third (33.1%) of all Australian employees were overseas born.²³

The ABS Jobs in Australia (JIA) data series shows 689,500 Australians were employed in the Labour supply services sector at some point over the 12 months of 2020–21. This compares with 680,000 in 2019–20 and 476,400 in 2012–13.²⁴ Note that these are not point-in-time estimates such as those provided in the Labour Account. People could have held a job with a labour hire company at any point during the year and jobs could be held for a day, several days or months. A person may have several jobs throughout the year with one or many labour hire companies, some of which may be held concurrently with others.

Around 62.0% of people who held a job in Labour supply services at some point over 2020-21 were men and 34.9% were aged between 20 and 29 years. By comparison 21.2% of all employed people in Australia were in this younger age group.

Prevalence of casual employment among labour hire workers and indicators of job stability and security

COE data showed in August 2022 labour hire employees were:

- much more likely to be casual employees with 83.6% of employees paid by a labour hire firm or employment agency not having access to paid leave entitlements compared with 23.4% of all employees. The casual share of all labour hire employees has ranged between 80% and just over 84% since November 2008.
- much more likely to have had a short tenure with their current employer than other employees. Around 62.6% of labour hire employees reported they had been with their current employer for less than one year compared with 26.0% of all employees.
- slightly less likely than all employees to expect they would still be working with their current employer their main job in 12 months – at 80.6% compared with 89.2% of all employees.²⁵

Of the 19.4% of labour hire workers who reported they would not be with their current employer in 12 months:

- 56.3% cited personal reasons for leaving
- 27.6% reported that their job was seasonal, temporary or a fixed-term contract appointment
- 9.9% reported that they were in a casual job that was expected to end
- 6.1% expected their job to end for other reasons.
- None of those labour hire workers expecting their job with their current employer to end in 12 months reported economic reasons (such as being stood down or insufficient work being available).

Labour hire workers are more likely to work full-time hours than other employees. In total around 81% of labour hire workers in August 2022 were working full-time hours whereas 69% of all employees worked full-time. Around 82% of labour hire workers working full-time hours in August 2022 did not have access to paid leave entitlements (i.e. they were casual employees).

23. ABS, [Labour hire workers](#), June 2023.

24. ABS, [Labour hire workers](#), June 2023, Table 2.

25. ABS, [Labour hire workers](#), June 2023.

Despite the high prevalence of full-time work among labour hire employees there is evidence of underemployment (or workers wanting more hours of work). This was due to a combination of people who normally work full-time hours not getting the number of hours they wanted in the week of the survey and people who normally worked part-time reporting they wanted more hours of work.

Around 18.0% of labour hire employees reported they preferred more hours of work in August 2022 compared with 10.4% of all employees. Of those labour hire workers who reported they were underemployed in August 2022, 35.8% were full-time workers who worked part-time hours for economic reasons in the survey week, and the remaining 64.2% were underemployed part-time workers who wanted more hours and were available to work more hours.

In terms of relative job stability:

- 43.4% of labour hire workers experienced variable earnings (i.e. varied from week to week due to irregular hours) in August 2022 (compared with 24.3% of all employees)
- 28.6% of labour hire workers experienced irregular hours from week to week (compared with 20.4% of all employees)
- 43.8% of labour hire workers were not guaranteed a minimum number of hours per week (compared with 20.6% of all employees) (See Figure 3).

Figure 3 Relative job instability of labour hire workers compared with all employees, June 2023



Source: Australian Bureau of Statistics (ABS), [Labour hire workers](#) (Canberra: ABS, June 2023), Table 3.

The results are consistent with outcomes previously observed for all casual employees.²⁶

The data shows that while labour hire workers have much less certainty about their hours of work, and consequently earnings from week to week, their perceptions of job security in the future are

26. Gilfillan, [Recent and long-term trends in the use of casual employment](#), 18.

not that much different to other employees, with 80.6% expecting to be with the same employer in 12 months, compared with 89.2% of all employees.

Occupational profile of labour hire workers

Labour hire workers are engaged in a wide range of occupations. Data from the ABS COE publication show Machinery operators and drivers accounted for the largest share of labour hire employees in August 2022 (at 33,000 or 23.2%), followed by Labourers (25,100 or 17.6%), Professionals (24,800 or 17.4%), Clerical and administrative staff (22,200 or 15.6%) and Technicians and trades workers (19,600 or 13.7%) .

Drilling down further shows labour hire workers were more likely to be Storepersons (15,300), Information and Communication Technology (ICT) Professionals (11,800), Factory process workers (10,300), Carers and aides (8,700), Road and rail drivers (8,700) and Automotive and engineering trades workers (7,500).

Around 40.8% of labour hire workers were either machinery operators, drivers or labourers whereas these occupations accounted for just over a quarter (25.8%) of employees that weren't paid by labour hire firms or employment agencies (see Table 2).

Table 2 Occupation of employees paid by a labour hire firm or employment agency, August 2022

Occupation group	Paid by a labour hire or employment agency	Not paid by a labour hire or employment agency
	% of total	% of total
Managers	4.0	12.1
Professionals	17.4	23.2
Technicians and trades workers	13.7	9.9
Community and personal service workers	7.7	5.7
Clerical and administrative workers	15.6	18.7
Sales workers	0.9	4.5
Machinery operators and drivers	23.2	14.2
Labourers	17.6	11.6
Total	100.0	100.0

Source: Australian Bureau of Statistics (ABS), [Labour Hire workers](#) (Canberra: ABS, June 2022), Table 3.

Industry profile of labour hire employees

Information is also available from the ABS COE survey on the industry of employees who found their current job through—and were paid by—a labour hire firm or employment agency. However, the ABS has not published these industry estimates in its data releases on characteristics of labour hire workers.

While labour hire employees are paid by firms that are classified by the ABS as being part of the Labour supply services sector, respondents provided a variety of responses to the supplementary

Labour Force survey question on industry of main job. This suggests that many on-hired workers considered themselves to be working in another industry rather than the industry classification for labour hire companies. The industry chosen by respondents is most probably the industry of the firm they were currently on-hired to at the time of the survey. Given this confusion, the ABS could consider asking additional survey questions in future on the nature of work that labour hire workers are involved in with the firms they are on-hired to, including the types of industries where they work.

Earnings of labour hire employees

ABS data shows more highly skilled labour hire employees tend to earn much more on an hourly basis than other employees in the same occupation groupings. For example, labour hire employees working in professional occupations recorded median hourly earnings of \$75.30 in August 2022 which compared with \$55.20 per hour for other professional employees (see Table 3).

In contrast Technicians and trades workers that were labour hire employees were paid slightly less per hour than tradespersons that weren't labour hire employees (\$36.10 per hour compared to \$40.00). The discrepancy in median hourly earnings is much smaller for other occupational groupings with a small wage premium recorded for labour hire employees that were Community and personal workers (\$30.20 per hour compared with \$29.70 per hour for other employees in the occupation). A wage penalty was recorded for Clerical and administrative workers employed by labour hire companies and employment agencies (at \$33.60 per hour compared with \$38.10 per hour for other employees), and virtual wage parity was recorded for Machinery operators and drivers (at \$31.50 per hour compared with \$31.60 per hour for other employees).

Negative wage relativity outcomes for some occupation groupings are evident despite casual labour hire workers being entitled to a loading on top of their normal wage rate. This loading is usually set at around 25% in awards and agreements on top of the hourly wage rate to compensate for lack of access to paid leave entitlements.²⁷ As observed earlier, labour hire workers are much more likely to be casual workers than other employees. The differences in median hourly wage rates could also reflect differences in skills and experience of labour hire employees in the occupation compared with other employees in the occupation.

27. Fair Work Ombudsman, '[Casual employees—What casual employees get](#)'.

Table 3 Median hourly earnings of employees by selected occupation of main job, August 2022

Occupation grouping	Paid by a labour hire firm or employment agency	Other employees - not paid by a labour hire firm or employment agency
	Median hourly earnings (\$)	
Professionals	75.30	55.20
<i>ICT Professionals</i>	61.30	64.10
Technicians and Trades Workers	36.10	40.00
<i>Automotive and Engineering Trades Workers</i>	45.30	40.00
Community and Personal Service Workers	30.20	29.70
<i>Carers and Aides</i>	28.90	31.00
Clerical and Administrative Workers	33.60	38.10
Machinery Operators and Drivers	31.50	31.60
<i>Mobile Plant Operators</i>	26.80	28.40
<i>Road and Rail Drivers</i>	34.80	32.00
<i>Storepersons</i>	32.40	30.10
Labourers	30.00	29.00

Source: Australian Bureau of Statistics (ABS), [Labour hire workers](#) (Canberra: ABS, June 2023), Table 3.

Note: Managers have been excluded from the table due to the very small numbers that are labour hire employees and associated high Relative Standard Errors recorded for hourly wage estimates.

An audit of 63 labour hire firms conducted by the Australian Building and Construction Commission (ABCC) in 2019 found a very high level of non-compliance among employers in terms of providing correct monetary entitlements to their workers and maintaining appropriate record keeping and pay slip provisions (required under the Fair Work Act). Just under 80% of labour hire firms audited were found to be non-compliant. The ABCC found just under two thirds of those labour hire firms which were non-compliant had failed to pay the correct allowances, overtime or penalties to their on-hired workers that applied through relevant awards or enterprise agreements. Furthermore, 48% of non-compliant employers contravened the record keeping and/or pay slip provisions of the Fair Work Act.²⁸

28. Australian Building and Construction Commission (ABCC), [Response to submission](#) by the Construction and General Division of the Construction, Forestry, Maritime, Mining and Energy Union to Senate Economics References Committee, *Inquiry into unlawful underpayment of employees' remuneration*, [Submission no. 106, response], 10 July 2020.

There have been several examples of incorrect payment of labour hire workers being settled in courts. For example, a \$106,430.63 court penalty was imposed against a labour-hire company after it underpaid dozens of vulnerable visa holders working on farms in Far North Queensland. The Federal Circuit and Family Court imposed the penalty against NQ Powertrain Pty Ltd after it admitted breaching workplace laws by underpaying 87 visa holders a total of \$49,933 between December 2018 and May 2020. The company made deductions from the workers' wages for accommodation and transport costs that exceeded the maximum lawfully allowable and underpaid their entitlements under the Horticulture Award 2010. The workers were from Pacific Island countries including Papua New Guinea, Vanuatu, and the Solomon Islands.²⁹

Employees on fixed-term contracts

Definition of employees on fixed-term contracts

Employees on fixed-term contracts are estimated by the ABS from positive survey responses to the following 2 questions:

- Does your employment have a set finishing date or event? (YES)
- If your employment does have a set finishing date or event, is it because you are working on a fixed-term contract? (YES)

Trends in the use of employees on fixed-term contracts

Using this definition there were 345,400 employees on a fixed-term contract working in Australia in August 2023 who accounted for 2.9% of all employees. This compares with 4.1% in August 2016 (see Table 4).

Table 4 Number of employees on a fixed-term contract in Australia, 2014 to 2023

August of each year	Fixed-term contract employees ('000)	Employees not on fixed-term contracts ('000)	Total employees ('000)	Fixed-term employee share of total employees (%)
2015	383.5	9,318.0	9,701.4	4.0
2016	405.4	9,499.7	9,905.1	4.1
2017	399.9	9,737.5	10,137.4	3.9
2018	406.6	10,077.1	10,483.7	3.9
2019	389.3	10,312.2	10,701.5	3.6
2020	411.5	10,026.0	10,437.5	3.9
2021	401.0	10,322.1	10,723.1	3.7
2022	389.7	11,074.8	11,464.6	3.4
2023	345.4	11,502.6	11,848.0	2.9

Source: Australian Bureau of Statistics (ABS), [Working Arrangements](#) (Canberra: ABS, August 2023), Data 6.

29. Fair Work Ombudsman, '[Queensland labour-hire company penalised](#)', media release, 5 July 2023.

Private and public sector use of employees on fixed-term contracts

Public sector employers are more likely to employ people on fixed-term contracts than employers in the private sector. The fixed-term contract employee share of total employment was almost 5 times higher in the public sector (9.2%) compared with the private sector (1.8%) in August 2022 (see Table 5). The fixed-term employee share of total employees in the public sector was higher at 11.2% in August 2016.

Employees on fixed-term contracts in the public sector accounted for 45.3% of all employees on fixed-term contracts in August 2022. This compares with the public sector employee share of all employees which stood at 14.1%. The employees on fixed-term contract share of total employment in Australia has been just below or just above 3% between 2014 and 2022.

Note that the data for public sector employees includes people who were employed by the Commonwealth government, state and territory governments and local governments. A high proportion of teachers and registered nurses are employed in the public sector and many are on fixed-term contracts.

Table 5 Number of employees on fixed-term contracts by sector, every 2 years between 2014 and 2022

	Aug 14	Aug 16	Aug 18	Aug 20	Aug 22
Sector ('000)					
Public	140.5	178.6	181.5	194.3	176.1
Private	215.6	225.9	226.8	219.8	213.0
Total	354.7	406.9	408.3	414.1	389.1
Share of total employment in sector	%				
Public	9.7	11.2	11.0	10.0	9.2
Private	2.1	2.2	2.1	2.1	1.8
Total	3.1	3.4	3.2	3.3	2.9

Source: Australian Bureau of Statistics (ABS), [Working Arrangements](#) (Canberra: ABS, August 2023) using TableBuilder.

Note: Estimates for Public and Private may not add up to the Total due to rounding. The totals shown in Table 5 differ slightly to those shown in Table 4 for the years shown.

An alternative data source for use of employees on fixed-term contracts in the public sector is the [Australian Public Service Commission](#). This source shows there were around 11,500 employees in the Australian Public Service (APS) who had a contract to complete a specific task or for a specific term in June 2023. This group accounted for 6.8% of all APS employees – up from 7,200 or a 4.7% share in June 2014 (see Table 6).

Table 6 Australian Public Service (APS) employees by contract type, 2004 to 2023

	Permanent Ongoing	Total on contracts	Non-ongoing — Casual	Total employees	Non ongoing casual share of total (%)	Contract employee share of total (%)
2005	123,373	8,532	1,482	133,387	1.1	6.4
2010	150,442	9,519	3,831	163,792	2.3	5.8
2015	136,536	7,212	8,492	152,240	5.6	4.7
2020	132,249	7,703	10,423	150,375	6.9	5.1
2021	133,962	11,408	8,272	153,642	5.4	7.4
2022	140,829	9,252	9,210	159,291	5.8	5.8
2023	151,055	11,544	7,733	170,332	4.5	6.8

Source: Australian Public Service Commission, [APS Employment Data 30 June 2023](#).

Note: Data refers to APS employees covered by the *Public Service Act 1999*.

The data shown in tables 5 and 6 are coming from two different sources. Table 5 are estimates for employees on contracts derived from supplementary questions asked as part of the ABS Labour Force Survey and includes employees of Commonwealth, state, territory and local governments.

Table 6 is an actual count of employees in the Australian Public Service that are on contracts. These estimates exclude employees of state and territory government and local government.

Characteristics of employees on fixed-term contracts

The industries of Education and training, Health care and social assistance and Public administration together accounted for almost two-thirds (65.6%) of employees on fixed-term contracts in August 2022. Education and training had the largest number of employees in fixed-term contracts at 89,100, accounting for 25.8% of employees on fixed-term contracts across all industries and 8.3% of all employees in the industry (see Table 7).

Table 7 Number of employees on fixed-term contracts in selected industries, August 2023

Industry	Employees on fixed-term contracts ('000)	Share of all employees on fixed-term contracts (%)	Total employees in industry ('000)	Share of total employees in industry (%)
Construction	11.5	3.3	879.9	1.3
Information, Media & Telecommunications	8.9	2.6	144.9	6.2
Financial & Insurance Services	13.5	3.9	485.4	2.8
Professional, Scientific & Technical Services	24.6	7.1	985.7	2.5
Public administration & safety	70.8	20.5	912.8	7.8
Education & training	89.1	25.8	1,076.4	8.3
Health care & social assistance	66.7	19.3	1,923.2	3.5
Other services	9.2	2.7	361.0	2.6
Total	345.4	100.0	11,848.0	2.9

Source: Australian Bureau of Statistics (ABS), [Working Arrangements](#) (Canberra: ABS, August 2023), Table 6 and Data 6.

Employees on fixed-term contracts tend to be more highly educated and more likely to work in professional occupations than other employees. Employees on fixed-term contracts are also more likely to expect that they will not be with their current employer in 12 months.

In August 2023, employees on fixed-term contracts were:

- much more likely to have post-secondary school qualifications than employees not on fixed-term contracts – 89.4% compared with 68.4%.
- much more likely to have a Bachelor degree or above than other employees – 69.5% compared with 36.5%.
- more than twice as likely to be working in Professional occupations as other employees – 53.7% compared with 25.2%.
- slightly more likely to be working full-time than other employees – 71.7% compared with 68.9%.
- slightly more likely to be born overseas than other employees – 37.9% compared with 32.7%.
- more than twice as likely to expect to not be with their current employer in 12 months than other employees – 20.6% compared with 9.6%.

- slightly less likely to have access to paid leave entitlements than other employees – 20.2% compared with 22.4%.

With just under 80% of employees on fixed-term contracts expecting to be with their current employer in 12 months this suggests a reasonable degree of job stability and security, and possibly the expectation that many will roll over on to a new contract with their current employer once their current contract expires.

Earnings of employees on fixed-term contracts

Table 8 shows there weren't significant differences between median hourly earnings of employees on fixed-term contracts and employees employed on an ongoing basis in the occupation groupings where contract workers are predominantly concentrated.

Table 8 Median hourly earnings of employees on fixed-term contracts in selected occupations, August 2023

	Number of employees on fixed-term contracts in main job	Share of all employees on fixed-term contracts in main job	Earnings of employees on a fixed-term contract in main job	Earnings of employees not on a fixed-term contract in main job
	'000	%	Median hourly earnings (\$)	
Managers	35.4	10.2	66.70	54.10
Professionals	185.4	53.7	53.90	54.40
Technicians and trade workers	20.7	6.0	35.00	36.80
Community and personal service workers	41.4	12.0	34.40	33.40
Clerical and administrative workers	45.7	13.2	37.50	37.50
Total	345.4		48.80	39.50

Source: Australian Bureau of Statistics (ABS), [Working Arrangements](#), (Canberra: ABS, August 2023), Table 6 and Data 6.

The only significant difference is the higher median hourly earnings for managers that were on a fixed-term contract compared with managers not employed on fixed-term contracts (\$66.70 per hour compared with \$54.10). Median hourly earnings for all employees on fixed-term contracts is higher than all other employees (\$48.80 per hour compared with \$39.50 per hour) which could be partly due to the higher skill composition of employees on fixed-term contracts.

Independent contractors

Definition of independent contractors

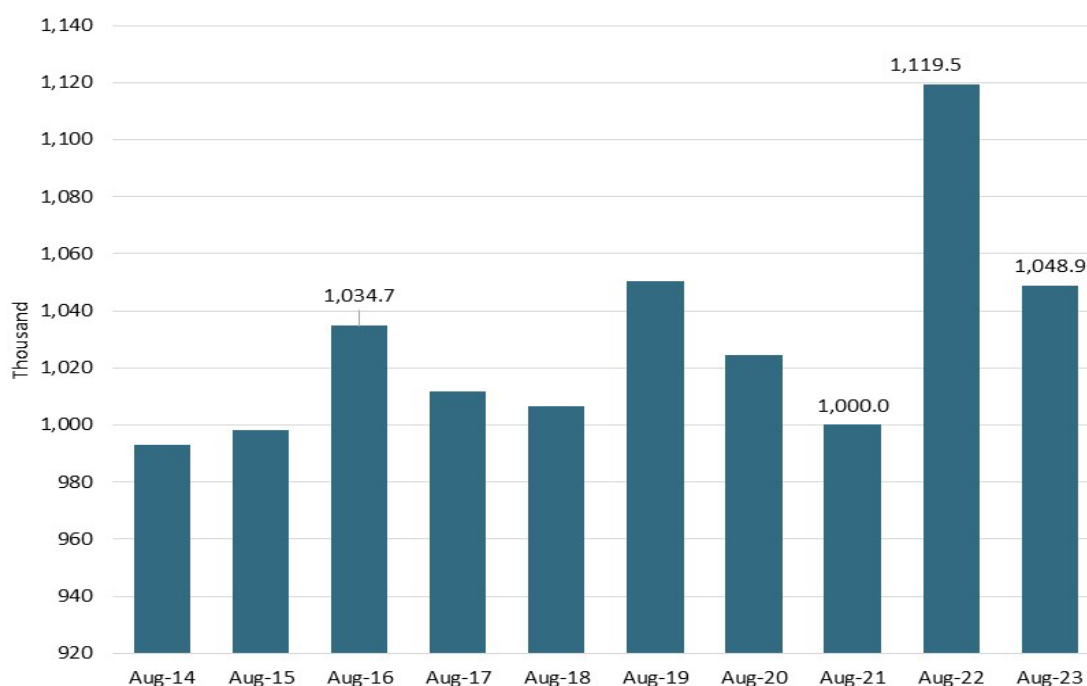
Independent contractors (or ICs) are defined by the ABS as people who operate their own business and who are contracted to perform services for others without having the legal status of an employee. In other words, they are people engaged by a client, rather than an employer, to

undertake work required. Independent contractors are engaged under a contract for services (a commercial contract), whereas employees are engaged under a contract of service (an employment contract).³⁰ For further information on defining ICs see the Appendix.

Trends in numbers of independent contractors

The number of independent contractors in Australia was relatively stable at just under or just over 1 million between 2015 and 2021. More recently, in the 12 months to August 2023 the number of independent contractors fell by 70,600 or 6.3% to 1,048,900 (see Figure 4). The independent contractor share of total employment in Australia fell from 8.2% in August 2022 to 7.5% in August 2023 and was as high as 8.7% in August 2016.

Figure 4 Number of independent contractors in Australia, 2014 to 2023



Source: Australian Bureau of Statistics (ABS), [Working Arrangements](#) (Canberra: ABS, August 2023), Table 4.

30. ABS, [Characteristics of Employment, Australia Methodology](#), (ABS: Canberra, August 2020).

Industry profile of independent contractors

Table 9 shows the industry composition of independent contractors.

Table 9 Independent contractors by industry, August 2014 and August 2023

	Aug 2014	Aug 2014	Aug 2023	Aug 2023
	Number of independent contractors ('000)	Share of total independent contractors (%)	Number of independent contractors ('000)	Share of total independent contractors (%)
Agric, Forestry & Fishing	29.5	3.0	22.7	2.2
Mining	5.6	0.6	3.8	0.4
Manufacturing	47.2	4.7	32.9	3.1
Electricity, Gas, Water & Waste Services	6.7	0.7	3.2	0.3
Construction	309.3	31.1	278.1	26.5
Wholesale Trade	16.6	1.7	18.7	1.8
Retail Trade	25.4	2.6	15.9	1.5
Accommodation & Food Services	10.3	1.0	16.4	1.6
Transport, Postal & Warehousing	64.0	6.4	104.7	10.0
Information Media & Telecommunications	12.4	1.2	20.1	1.9
Financial & Insurance Services	18.0	1.8	20.8	2.0
Rental, Hiring & Real Estate Services	13.9	1.4	17.4	1.7
Professional, Scientific & Technical Services	163.0	16.4	146.7	14.0
Admin & Support Services	74.6	7.5	78.0	7.4
Public Administration & Safety	7.6	0.8	8.9	0.8
Education & Training	33.9	3.4	40.3	3.8
Health Care & Social Assistance	70.7	7.1	136.3	13.0
Arts & Recreation Services	23.8	2.4	26.5	2.5
Other Services	60.9	6.1	57.3	5.5
Total	993.1	100.0	1,048.9	100.0

Source: Australian Bureau of Statistics (ABS), [Working Arrangements](#) (Canberra: ABS, August 2023), Table 4.

The construction industry accounted for the largest share of independent contractors in August 2023 at 278,100 or 26.5%. This is down from a total industry share of 31.1% in August 2014 when there were 309,300 ICs working in construction.

The number of independent contractors working in Health care and social assistance increased from 70,700 in August 2014 to 136,300 in August 2023 while the number of independent contractors working in Transport, postal and warehousing increased from 64,000 to 104,700. In contrast the number of ICs working in Professional, scientific and technical services fell from 163,000 to 146,700.

Responses to questions related to authority over work performed by independent contractors is collected by the ABS every 2 years (in even years). An independent contractor is defined as having a high level of control over the work they perform, including their hours, work location and how they do their work. However, ABS data shows 429,700 independent contractors – or 38.4% of all people classified as independent contractors – reported they did not have authority over their own work in August 2022.

This finding suggests that some workers that come under the umbrella term ‘independent contractor’ may be more likely to be closer to employees in terms of lack of control over the work they perform, but without the benefits, protections, and entitlements available to employees.

Conclusion

The use of labour hire employees in Australia increased steadily between the mid-1990s and just prior to the impact of COVID-19 in March 2020. Numbers of labour hire workers fell sharply as shutdowns imposed to limit the spread of the virus began to negatively impact upon the labour market and have only recovered modestly since. Casual employees were much more likely to lose their jobs at this time and a substantial proportion of labour hire employees are employed on a casual basis.³¹

Agencies in the public sector are more likely to use employees on fixed-term contracts than businesses and organisations in the private sector. But there are signs of a slight fall in the rate of their use by the public sector between 2016 and 2022 (down from a 11.2% share of public sector employees to 9.2%).

Data gaps still exist for labour hire employment in Australia, particularly in relation to the industries that are more likely to use labour hire employees. To better inform researchers and policy makers, the ABS could consider making the distinction clearer in questions asked in subsequent supplementary Labour Force surveys between the relationship labour hire employees have with the labour hire company they are paid by, and better identification of industries of companies they are on-hired to, and the activities undertaken in their work placements.

31. Gilfillan, [Recent and long-term trends in the use of casual employment](#).

Appendix

Definition of labour hire workers

Labour hire work involves an employment relationship between an individual employee and a labour hire firm, and a commercial arrangement between the labour hire firm and businesses that employees are on-hired to for an agreed fee. The labour hire firm has responsibility for paying the labour hire worker.³²

Labour hire workers may be used for a variety of purposes including:

- to fill very short-term vacancies
- to fill regular seasonal requirements such as in the agricultural or food processing industries
- to fill specific functions within the business by engaging labour hire workers with particular skills such as maintenance
- as a longer-term supplement to an ongoing workforce, with ongoing and labour hire employees working alongside each other performing the same work, and/or
- to entirely replace an ongoing workforce.³³

Definition of independent contractors (ICs)

The ABS uses responses to a series of questions included in the Labour Force survey to determine their estimates for ICs. The questions include:

- Do you work as an independent contractor in your job?
- Do you receive a pay slip/advice?
- Do you/Does your business invoice or bill clients/employers?
- Excluding wages and salary, are you able to make drawings from your employer/business?

An IC needs to respond positively to the first question but depending upon the permutation of responses to questions, respondents can be classified as either an IC, employee, or Other Business Operator.³⁴

The Fair Work Commission uses several criteria to define whether someone is an independent contractor. As part of the criteria, an independent contractor:

- can delegate or subcontract the services to be performed to another person or business
- has a high level of control over the work they perform, their hours, work location and how they do the work
- bears the risk for making a profit or loss on each task
- usually is personally responsible and liable for poor work or any injury sustained while performing the task (as such, contractors generally have their own insurance policy)

32. ABS, [Labour hire workers methodology](#), (Canberra: ABS, June 2023).

33. Finance and Administration Committee (Qld), [Inquiry into the practices of the labour hire industry in Queensland](#) (Brisbane: Parliamentary Committees, 2016), 9–10.

34. ABS, [Working arrangements](#).

- uses their own tools and equipment
- by agreement between both parties, decides what hours to work to complete the specific task
- is usually engaged for a specific task
- pays their own tax and GST (if applicable) to the Australian Taxation Office
- pays their own superannuation (note: in some circumstances independent contractors may be entitled to be paid superannuation contributions)
- doesn't receive paid leave entitlements.³⁵

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35. Fair Work Ombudsman, '[Independent contractors](#)'; Victorian Government, '[Sham contracting in the building and construction industry](#)'.