



STATEMENT

Fair Work Act 2009
s.285—Annual wage review

Annual Wage Review 2014–15 (C2015/1)

JUSTICE ROSS, PRESIDENT
SENIOR DEPUTY PRESIDENT WATSON
SENIOR DEPUTY PRESIDENT HARRISON
COMMISSIONER HAMPTON
MR COLE
PROFESSOR RICHARDSON
MR GIBBS

MELBOURNE, 2 JUNE 2015

[1] The *Fair Work Act 2009* (the Act) requires the Fair Work Commission’s Expert Panel to conduct and complete a review of the national minimum wage and minimum wages in modern awards in each financial year. The decision we are issuing today deals with the 2014–15 Annual Wage Review. The decision directly affects over 1.86 million employees in Australia who are reliant upon minimum rates of pay.

[2] As part of the annual wage review the Panel considers both the setting of the national minimum wage (NMW) rate and whether to make any variation determinations in respect of modern award minimum wages. Each of these tasks is undertaken by reference to the applicable statutory criteria. In setting the NMW rate the Panel must take into account the objects of the Act and the minimum wages objective in s.284. In reviewing modern award minimum wages the Panel must also take these matters into account, as well as the modern awards objective in s.134. We have taken all of these matters into account.

[3] A number of considerations have led us to award a lower increase than that determined in last year’s Review decision.

[4] The most significant change in economic outcomes since the last Review is the reduction in inflation and aggregate wages growth. The headline consumer price index grew by only 1.3 per cent over the year to the March quarter 2015, although underlying inflation remained just below the mid-point of the Reserve Bank of Australia medium term target range. Each measure of aggregate wages growth reflected a continuing moderation over the past year. The 12-month increase of 2.3 per cent and 2.8 per cent respectively for the Wage Price Index and average weekly ordinary time earnings over the year to the March quarter 2015, is the lowest for the past decade. Growth in average annualised wage increases, reflecting bargaining outcomes, was also below average at 3.4 per cent in the December quarter 2014.

[5] We have had particular regard to the lower growth in consumer prices and aggregate wages growth over the past year because they have a direct bearing on relative living standards and the needs of the low paid. The lower inflation and aggregate wages growth has favoured a more modest increase in minimum wages.

[6] Further, the unemployment rate has grown steadily from its recent low of 4.9 per cent in March 2011, to 6.1 per cent in April 2015 and there are other signs of under-utilisation in the workforce. The 2015–16 Budget Outlook reflects a pushing out of the projected timing of a return to trend growth and the peaking of unemployment, with a slower than expected transition to non-mining investment than previously forecast. Uncertainty as to the timing of a stronger non-mining investment contribution to economic growth provides a reason for some caution.

[7] Balanced against these economic considerations, there is no evidence of particular corporate stress. Business bankruptcy rates fell significantly in 2013–14, to the lowest level since 2008–09. Business entry rates for all industries in 2013–14, at 13.7 per cent, exceeded business exit rates, at 12.7 per cent. Business exit rates were lower in 2013–14 than in 2010–11, in aggregate and for each of the award-reliant industries. Real unit labour costs remain at historically low levels. The unit labour cost data shows, in aggregate, an absence of cost pressures from the labour market.

[8] The principle of equal remuneration is a factor in favour of an increase in the NMW and modern award minimum wages. The increase we have determined is consistent with the promotion of social inclusion through increased workforce participation and is also compatible with the need to encourage collective bargaining.

[9] In terms of the other social considerations we are required to take into account the relative living standards of NMW- and award-reliant employees have improved a little over the past year or two, as have the indicators of unmet need among the low paid. These considerations favour a more modest increase to minimum wages.

[10] We have determined that it is appropriate to increase the NMW and the factors identified in our decision have led us to award an increase of 2.5 per cent. The national minimum wage will be \$656.90 per week, or \$17.29 per hour. The hourly rate has been calculated by dividing the weekly rate by 38, on the basis of the 38 hour week for a full-time employee. This constitutes an increase of \$16.00 per week to the weekly rate or 42 cents per hour to the hourly rate.

[11] Having regard to the proposed NMW and the other relevant considerations, we also consider that it is appropriate to adjust modern award minimum wages by a moderate amount.

[12] A number of parties advanced submissions in favour of an award-by-award review of minimum wages or a differential wage increase for specific employers or industries. The scheme of the Act is more consistent with establishing adjustments across the range of modern awards, and in the absence of exceptional circumstances, taking the sectoral variations into account when determining the level and nature of adjustments that will apply

to the modern awards generally. Exceptional circumstances can and should be considered on their merits as required by the Act.

[13] For reasons we set out in our decision no exceptional circumstances have been demonstrated such as to warrant a deferral of the increases we have awarded.

[14] The considerations to which we have referred have led us to also increase modern award minimum wages by 2.5 per cent. Weekly wages will be rounded to the nearest 10 cents.

[15] The determinations and order giving effect to our decision will come into operation on 1 July 2015.

[16] We again draw attention to the practical difficulties which arise from the interaction of ss.157(2), 285(1) and 286 of the Act. In particular, there is no mechanism to deal with claims by employers after an annual wage review has been completed.

[17] The Panel drew attention to these matters in the past three review decisions but no legislative amendments have been made.

[18] The timetable for the Annual Wage Review 2015–16 will be announced in the third quarter of 2015.

[19] We wish to express our appreciation to the parties who participated in the Review for their contributions and to the staff of the Fair Work Commission for their assistance.

PRESIDENT

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