



Annual Wage Review 2023–2024 – Announcement of Decision

[1] We are announcing today the decision we have reached in this year’s Annual Wage Review.

[2] The Annual Wage Review is conducted in accordance with s 285 of the *Fair Work Act 2009* (Cth), which requires the Fair Work Commission to undertake two tasks.

[3] The first task is to review, and make, the National Minimum Wage order. The only function of the National Minimum Wage is to set a minimum rate of pay for employees in the national industrial relations system who are not covered by a modern award or an enterprise agreement. Only a very small number of employees are actually paid the National Minimum Wage and will be affected by this decision.

[4] The second task is to review modern award minimum wages. This is the most important aspect of the Review. There are 121 modern awards which apply to employees in the national industrial relations system in various industries and occupations. There are also a small number of modern enterprise awards which apply to specific business enterprises. Each modern award sets minimum wage rates for employees working in the industries, occupations or enterprises covered by the award. In setting modern award rates of pay, the Commission is required to take into account the amount of the National Minimum Wage.

[5] Approximately 20.7 per cent of the Australian workforce, or about 2.6 million employees, are paid in accordance with minimum wage rates in modern awards. They, and their employers, are directly affected by this decision. In addition, there are some categories of employees who are indirectly affected by way of the Review outcomes being ‘flowed on’ by various means. Our estimate is that this decision will therefore operate upon the wages of about a quarter of all Australian employees.

[6] The characteristics of employees who rely on modern award minimum wage rates and are therefore directly affected by our decision are significantly different to the workforce as a whole. They mostly work part-time hours, are predominantly women, and almost half are casual employees. They are also much more likely to be low paid.

[7] Because of these characteristics, the broader economic effect of Annual Wage Review decisions is limited. The total wages cost of the modern-award-reliant workforce constitutes less than 11 per cent of the national ‘wage bill’.

[8] Furthermore, the effect of the Review decision across the economy is not uniform. About two-thirds of the modern-award-reliant workforce are employed in only four industry sectors. Other industry sectors have negligible numbers of modern-award-reliant employees.

[9] The *Fair Work Act* requires us to take into account specific considerations in conducting the Annual Wage Review. These include relative living standards, the needs of the low paid, workforce participation, the performance and competitiveness of the national economy, and the need to achieve gender equality. We have taken all of these considerations into account.

[10] In conducting the Review, we have received submissions from a range of stakeholders, including the Australian Chamber of Commerce and Industry, the Australian Council of Trade Unions, the Australian Industry Group, the Council of Small Business Organisations, Australia, various other employer and employee organisations, and the Australian Government and State governments. A number of parties have advanced specific proposals for wage adjustments to be made in the Review. These are set out in the appendix to our written decision. However, we make clear that the Annual Wage Review process is not one of adjudication between competing proposals. While we have taken the submissions made into account, our statutory task is to make our own assessment as to what constitutes a safety net of fair minimum wages.

[11] We have decided to increase the National Minimum Wage and all modern award minimum wage rates by 3.75 per cent, effective from 1 July 2024.

[12] In determining this level of increase, a primary consideration has been the cost-of-living pressures that modern-award-reliant employees, particularly those who are low paid and live in low-income households, continue to experience notwithstanding that inflation is considerably lower than it was at the time of last year's Review. Modern award minimum wages remain, in real terms, lower than they were five years ago, notwithstanding last year's increase of 5.75 per cent, and employee households reliant on award wages are undergoing financial stress as a result. This has militated against this Review resulting in any further reduction in real award wage rates. At the same time, we consider that it is not appropriate at this time to increase award wages by any amount significantly above the inflation rate, principally because labour productivity is no higher than it was four years ago and productivity growth has only recently returned to positive territory. We have taken into account that the labour market and business profit growth overall remain strong, but the picture is less positive in some of the industry sectors which contain a large proportion of modern-award-reliant employees. We have also taken into account that modern-award-reliant employees will shortly receive the benefit of the Stage 3 tax cuts and the Budget cost-of-living measures, which are projected to increase real household disposable incomes over the next 12 months. We have treated the forthcoming increase to the Superannuation Guarantee contribution amount as a moderating factor.

[13] The increase of 3.75 per cent which we have determined is broadly in line with forecast wages growth across the economy in 2024 and will make only a modest contribution to the total amount of wages growth in 2024. We consider therefore that this increase is consistent with the forecast return of the inflation rate to below 3 per cent in 2025.

[14] We have also determined to establish a program for the timely resolution of gender undervaluation issues arising in respect of certain modern awards. A gender equity research project which was undertaken as a result of the decision in last year's Review has now been completed, and this has permitted us to identify priority areas for attention. Modern awards and classifications applicable to early childhood education and care workers, disability home care workers and other social and community services workers, dental assistants, medical technicians, psychologists, other health professionals and pharmacists will be the subject of Commission-initiated proceedings to examine and address gender undervaluation. These proceedings will commence shortly after the issue of this decision and we intend that they will be completed by the time of next year's Review, which will then move on to the consideration of other gender undervaluation issues.

[15] We conclude by thanking all parties that participated in the Annual Wage Review process for their contributions. We also thank the staff of the Commission for their assistance.