

Annual Wage Review 2025 - Announcement of Decision

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

[2] The *Fair Work Act 2009* requires the Fair Work Commission to conduct an Annual Wage Review. There are two main functions in the Review.

[3] The first is to review, and make, the National Minimum Wage order. The National Minimum Wage applies only to persons in the national industrial relations system who are not covered by a modern award or an enterprise agreement. Its practical effect is limited since only a very small proportion of the workforce is actually paid in accordance with the National Minimum Wage.

[4] The second, and more important function, is to review the minimum wage rates prescribed by modern awards and to consider whether they should be adjusted.

[5] Modern awards have much wider practical application. Approximately 20.7 per cent of all employees in Australia are paid at the applicable minimum wage rates in the 121 modern industry and occupational awards currently in operation. Accordingly, such employees, and their employers, are those principally affected in a direct way by this decision.

[6] The characteristics of the workforce reliant on modern awards for their wage rates are markedly different from the workforce as a whole. They are disproportionately female, more than two-thirds of such employees work part-time hours, more than half are casual employees, and more than a third are low-paid. Because of the part-time and low-paid characteristics of the modern award-reliant workforce, the wages paid to them constitute only about 10.5 per cent of the national 'wage bill'. This means that the direct effect of the Review on wages growth across the whole workforce is limited.

[7] This modern award-reliant workforce is not spread evenly across the economy but is concentrated in certain sectors of the economy, meaning that the Annual Wage Review has more marked effects in these sectors. Four industry sectors with the highest numbers of modern award-reliant employees, namely Accommodation and food services, Health care and social assistance, Retail trade, and Administrative and support services, account for over two-thirds of all modern award-reliant employees. In other sectors such as Mining, and Finance and insurance services, the proportion of modern award-reliant employees is negligible.

[8] The Annual Wage Review is conducted in accordance with the statutory framework of the *Fair Work Act*. The Act requires us to establish and maintain a safety net of fair minimum wages taking into account a number of identified matters including the performance and competitiveness of the national economy, the need to achieve gender equality, promoting social inclusion through increased workforce participation, and relative living standards and the needs of the low paid. These have therefore been the primary considerations in making our decision.

[9] A wide range of parties, including employer and union organisations and federal and State Governments have made submissions in the Review. A number of parties' submissions contain specific proposals as to the quantum of the wage adjustments we should order in this Review. All the submissions, including these proposals, have been taken into consideration. However, as we have emphasised in previous Annual Wage Review decisions, our task is not one of adjudication between competing proposals. Rather, we are required by the *Fair Work Act* to make our own assessment as to what constitutes a safety net of fair minimum wages.

[10] The decision we have made is to increase the National Minimum Wage and all modern award minimum wage rates by 3.5 per cent, effective from 1 July 2025.

[11] The principal consideration which has guided our decision is the fact that, since July 2021, employees who are reliant on modern award minimum wages or the National Minimum Wage have suffered a reduction in the real value of their wage rates. In the case of modern awards, the benchmark C10 award rate of pay has declined by 4.5 percentage points relative to inflation as measured by the Consumer Price Index.

[12] This reduction in real modern award wages and the National Minimum Wage has been the result of the spike in inflation which commenced in 2021 and peaked in late 2022. The continuation of this inflationary episode has meant that, over the last three Annual Wage Review decisions, the Fair Work Commission has repeatedly deferred taking any action to reverse this decline in real wages out of a concern that this might result in the persistence of higher inflation.

[13] The result has been that living standards for employees dependent on modern award wages have been squeezed and the low paid have experienced greater difficulty in meeting their everyday needs.

[14] The Reserve Bank of Australia's assessment that inflation has sustainably returned to its target range of 2–3 per cent indicates that this inflationary episode is now over. That provides us with an opportunity to go at least some of the way towards correcting what has happened over the last four years by awarding a real increase to modern award wages and the National Minimum Wage. We are concerned that if this opportunity is not taken in this Annual Wage Review, the loss in the real value of wages which has occurred will become permanently embedded in the modern award system and the National Minimum Wage, and a reduction in living standards for the lowest paid in the community will thereby be entrenched.

[15] We are satisfied that the level of wage increase we have determined is sustainable. The labour market remains strong overall, with continuing employment growth, low unemployment and historically high rates of participation in the workforce. Reductions in interest rates are likely to lead to higher consumer demand and a higher level of economic growth than we have experienced in recent times. Although business has faced challenging circumstances in recent times, business conditions have remained reasonably healthy, with the level of non-mining profits maintained in real terms and profit margins at approximately their pre-pandemic level.

[16] Australia's continuing poor performance in labour productivity growth has operated as a restraining factor on the size of the increase we have determined. That problem is primarily located in the non-market sector, where there has been significant growth in employment in the

healthcare and social services sectors in recent years. In the market sector, there has been modest growth in labour productivity over the current multi-year cycle, which indicates some capacity for business to pay for a modest increase in real minimum wages. Certainly, the productivity problem will not be resolved by the indefinite continuation of the reduction in real wages which has occurred over the last four years.

[17] We have also taken into account, as moderating factors in our determination, the upcoming increase in the Superannuation Guarantee contribution rate, the uncertainty caused by changing US trade policies, and some indications of weakness in the Accommodation and food services sector in which a significant proportion of modern award-reliant workers are employed.

[18] We intend to push forward with our targeted program to review particular award classifications in order to eliminate gender-based undervaluation of work in modern awards and ensure that female workers receive equal remuneration for work of equal or comparable value. Arising from last year's Annual Wage Review decision, the Commission reviewed a number of priority awards. We issued a major decision on 16 April of this year establishing principles for the identification and elimination of gender-based undervaluation. The next priority will be to review all professional classifications in modern awards — that is, all classifications for which a university degree is required as a minimum — that have not yet been the subject of review in accordance with the principles that have been established. The Commission will shortly commence proceedings on its own initiative for this purpose.

[19] Our full reasons for the outcome we have determined are set out in our decision, which has now been published on our website.

[20] We conclude by thanking all parties that participated in this year's Annual Wage Review for their contributions. We also thank the staff of the Commission for their work in connection with the Review.