



STATEMENT

Fair Work Act 2009

s.285—Annual wage review to be conducted

Annual Wage Review 2018–19

(C2019/1)

JUSTICE ROSS, PRESIDENT
VICE PRESIDENT HATCHER
DEPUTY PRESIDENT ASBURY
COMMISSIONER HAMPTON
PROFESSOR RICHARDSON
MR GIBBS
MR APTED

MELBOURNE, 30 MAY 2019

[1] The *Fair Work Act* requires the Fair Work Commission’s (Commission) Expert Panel for annual wage reviews (Panel) to conduct and complete a review of the national minimum wage (NMW) and minimum wages in modern awards each financial year. The decision we are issuing today deals with the 2018–19 Annual Wage Review. Around 2.2 million employees or 21.0 per cent of all employees have their wages set by the NMW or by a modern award minimum wage and will be directly affected by this decision. This decision is also likely to affect employees paid close to the NMW or a modern award minimum wage rate and those whose pay is set by a collective agreement which is linked to the outcomes of the Review, as well as workers whose pay is set by individual arrangements which are referenced to a modern award minimum wage rate.

[2] The Panel is required to conduct each Review within the legislative framework of the Act, particularly the object of the Act in s.3, the modern awards objective and the minimum wages objective. As part of the Review, the Panel considers the setting of the NMW rate and then whether to make any variation determinations in respect of modern award minimum wages. Each of these tasks is undertaken by reference to the particular statutory criteria applicable to each function. Both the minimum wages objective and the modern awards objective require the Panel to take into account:

- promoting social inclusion through increased workforce participation;¹
- relative living standards and the needs of the low paid;²
- the principle of equal remuneration for work of equal or comparable value;³ and

¹ *Fair Work Act 2009* (Cth), s.284(1)(b) and s.134(1)(c).

² *Fair Work Act 2009* (Cth), s.284(1)(c) and s.134(1)(a).

³ *Fair Work Act 2009* (Cth), s.284(1)(d) and s.134(1)(e).

- various economic considerations.⁴

[3] The modern awards objective also requires that we take into account ‘the need to encourage collective bargaining’ (s.134(1)(b)), and we consider it appropriate to take into account that part of the object of the Act to encourage collective bargaining in making the NMW order.⁵

[4] The Panel has taken into account all of the relevant considerations in arriving at its decision. The way in which we have done this is set out in full in our decision.

[5] We accept that the Panel’s decision-making process should be as transparent as possible and that we should disclose the factors which are most relevant in a particular year, and we have done so in this decision.

[6] Despite the recent fall in GDP growth, the Australian economy has performed moderately well and the relevant data are all indicative of a strong labour market. Although business conditions have declined from the high levels recorded in the first half of 2018, they remain consistent with trend growth in the economy and the labour market has performed strongly.⁶ As the RBA has recently observed, ‘[a]lthough GDP growth has moderated, employment has continued to expand by enough to reduce spare capacity in the labour market over the past year’.⁷ The Australian Government expects the economy to grow at its potential rate and to support future increases in employment.⁸ The proportion of the working-age population that is in employment is at record levels.

[7] The prevailing economic circumstances provide an opportunity to improve the relative living standards of the low paid, and to enable them to better meet their needs, by awarding a real increase in the NMW and modern award minimum wages. No party identified any data which demonstrated adverse employment or other effects arising from the previous 2 Review decisions, each of which resulted in real wage increases for NMW and award-reliant employees.⁹

[8] Our overall assessment is that the relative living standards of NMW and award-reliant employees have improved over recent years, although some low-paid award-reliant employee households have household disposable incomes less than the 60 per cent of the median income relative poverty line. A number of low-paid employee households are also likely to have disposable incomes that do not reach the threshold of the relevant Minimum Income for Healthy Living budget standard.

⁴ *Fair Work Act 2009* (Cth), s.284(1)(a) and s.134(1)(d), (f) and (h).

⁵ *Fair Work Act 2009* (Cth), s.3(f).

⁶ Debelle G (2019), *The state of the economy*, speech to the American Chamber of Commerce in Australia Business Luncheon, 10 April, Adelaide.

⁷ Reserve Bank of Australia (2019), *Statement on Monetary Policy*, May pp. 33-34.

⁸ Australian Government submission, 15 March 2019.

⁹ Transcript of proceedings, 14 May at PN 75–91; 15 May at PN 461–462.

[9] Women are disproportionately represented among those on the NMW and those who are reliant on modern award minimum wages. An increase in the NMW and modern award minimum wages will assist in reducing the gender pay gap.

[10] We have decided to award a lower increase this year than that awarded last year having regard to the changes in the economic environment (in particular the recent fall in GDP growth and the drop in inflation) and the tax-transfer changes which have taken effect in the current Review period and which have provided a benefit to low-paid households.

[11] We are satisfied that the level of increase we have decided upon will not lead to any adverse inflationary outcome and nor will it have any measurable negative impact on employment. However, such an increase will mean an improvement in real wages for those employees who are reliant on the NMW and modern award minimum wages and an improvement in their living standards.

[12] We have determined that it is appropriate to increase the NMW by 3.0 per cent. The new NMW will be \$740.80 per week, or \$19.49 per hour. This amounts to an increase of \$21.60 per week to the weekly rate.

[13] We have also decided to increase all modern award minimum wages by 3.0 per cent. Weekly wages will be rounded to the nearest 10 cents. At the C10 tradesperson's modern award minimum wage rate this translates to an increase of \$25.10 per week.

[14] We have taken into account the circumstances of different regions, industries and sectors but for the reasons set out in our decision, no exceptional circumstances have been demonstrated such as to warrant a deferral of the increases we have awarded.

[15] We acknowledge that the compounding effect of increases over time may have a cumulative effect which is not apparent in the short term. We will continue to closely monitor this in future reviews.

[16] The increase we have determined applies to modern award minimum wages for junior employees, employees to whom training arrangements apply and employees with disability, and to piece rates, through the operation of the methods applying to the calculation of those wages. Wages in the National Training Wage schedule will be increased by 3.0 per cent.

[17] The casual loading in modern awards will remain at 25 per cent. The casual loading in the *Business Equipment Award 2010* will be increased to 24 per cent, consistent with the phasing approach.

[18] In relation to transitional instruments, from the first full pay period on or after 1 July 2019, wages in those instruments will be varied by 3.0 per cent per week, with commensurate increases in hourly rates based on a 38-hour week. Copied State awards will be varied on the basis discussed in Chapter 5 of our decision.

[19] The determinations necessary to give effect to the increase in modern awards will be made available in draft form shortly after this decision. Weekly wages in the NMW order and modern awards will be rounded to the nearest 10 cents and hourly wages will be calculated by dividing the weekly rate by 38, on the basis of the 38-hour week for a full-time employee. The full method of calculation is contained in Attachment A. Determinations varying the modern

awards will be made as soon as practicable and the modern awards including the varied wage rates will be published as required by the Act.

[20] The determinations and order giving effect to our decision will come into operation on 1 July 2019. The increases we have determined will take effect from the start of the first full pay period that starts on or after 1 July 2019 in accordance with ss.286(5) and 287(5) of the Act.

[21] The timetable for the 2019–20 Annual Wage Review will be announced in the third quarter of 2019.

[22] The Panel expresses its 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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- *This statement is not a substitute for the reasons of the Fair Work Commission nor is it to be used in any later consideration of the Commission's reasons.*

Attachment A

Calculation of NMW and modern award minimum wages

The current weekly national minimum wage (NMW) is \$719.20.

- The increase of 3.0 per cent is applied to the current **weekly** NMW.

$$\$719.20 \times (1 + (3.0/100)) = \$740.78$$

- To obtain the new **weekly** NMW, this rate is rounded to the nearest 10 cents.

$$\$740.78 \rightarrow \underline{\$740.80}$$

The current hourly NMW is \$18.93.

To calculate the **hourly** NMW, the new weekly NMW is divided by 38, based on a 38-hour week for a full-time employee.

$$\$740.80 / 38 = \$19.4947$$

- To obtain the new **hourly** NMW, this rate is rounded to the nearest cent.

$$\$19.4947 \rightarrow \underline{\$19.49}$$

The NMW will increase by \$21.60 per week (\$740.80 – \$719.20) or 56 cents per hour (\$19.49 – \$18.93).

The current weekly C10 rate (*Manufacturing and Associated Industries and Occupations Award 2010*) is \$837.40.

- The increase of 3.0 per cent is applied to the current **weekly** C10.

$$\$837.40 \times (1 + (3.0/100)) = \$862.52$$

- To obtain the new **weekly** C10, this rate is rounded to the nearest 10 cents.

$$\$862.52 \rightarrow \underline{\$862.50}$$

The current hourly C10 rate (*Manufacturing and Associated Industries and Occupations Award 2010*) is \$22.04.

- To calculate the **hourly** C10, the new weekly C10 is divided by 38, based on a 38-hour week for a full-time employee.

$$\$862.50 / 38 = \$22.6974$$

- To obtain the new **hourly** C10, this rate is rounded to the nearest cent.

$$\$22.6974 \rightarrow \underline{\$22.70}$$

The C10 rate will increase by \$25.10 per week (\$862.50 – \$837.40) or 66 cents per hour (\$22.70 – \$22.04).