

# Methodology for adjusting expense related allowances in modern awards



This document outlines the method used by the Fair Work Commission to adjust expense related allowances in modern awards following the increase in wages as a result of the Annual Wage Review 2020–20 [[\[2020\] FWCFB 3500](#)].

The Annual Wage Review 2019–20 decision [2020] FWCFB 3500 determined different operative dates for different groups of awards as follows:

- Group 1 Awards 1 July 2020
- Group 2 Awards 1 November 2020
- Group 3 Awards 1 February 2021

The document relates to the adjustment of expense related allowances for awards in Group 1 that are being varied from 1 July 2020.<sup>1</sup>

Determinations varying expense related allowances in awards with wages being adjusted in Groups 2 and 3 will be published closer to each of the relevant operative dates. Interested parties will have an opportunity to review and comment on them at that time.

*Extract from standard clause in modern awards:*

## **Adjustment of expense related allowances**

(a) At the time of any adjustment to the standard rate, each expense related allowance must be increased by the relevant adjustment factor. The relevant adjustment factor for this purpose is the percentage movement in the applicable index figure most recently published by the Australian Bureau of Statistics since the allowance was last adjusted.

(b) The applicable index figure is the index figure published by the Australian Bureau of Statistics for the Eight Capitals Consumer Price Index (Cat No. 6401.0), as follows:

<b>Allowance</b>	<b>Applicable Consumer Price Index figure</b>
<i>Name of allowance</i>	<i>Nominated CPI group or sub-group</i>

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<sup>1</sup> A list of the groups of awards can be found at Attachment 1 to the [Summary](#)

## 1. Method of adjusting expense related allowances

Expense related allowances in modern awards are adjusted in line with the increase in the index figure for the relevant CPI table between the March 2019 figure and the figure **at the time the allowance was last adjusted**.

### 1.1 Allowances adjusted on 1 July 2019 and 1 July 2020

**Example – Meal allowance in clause 18.4(a) of the Banking Industry Award 2010 [[MA000019](#)] based on Take away and fast foods sub-group**

Meal allowance as at 1 July 2019 = \$17.00

CPI Index figure for March 2019 quarter = 117.0

CPI Index figure for March 2020 quarter = 119.4

Meal allowance as at 1 July 2020 = \$17.00 x (119.4/117.0) = 17.348718 rounded to \$17.35

### 1.2 Allowances not adjusted on 1 July 2020 e.g. Telecommunication equipment and services sub-group

When adjusting allowances in modern awards, the current CPI index is divided by the index for the year when the allowance was last adjusted. If the result is less than 1, the allowance is not increased.

For example, in [March 2020](#) the index for the Telecommunication equipment and services sub-group was 77.0. These allowances were last adjusted in 2014; in March 2014 the index was 103.4. Dividing this year's index by the March 2014 index =  $77 / 103.4 = 0.744680851$ . As this result is less than 1, allowances based on this group are not adjusted (i.e. they are neither increased nor decreased).

### 1.3 Allowances not adjusted since the modern award commenced

When determining the allowances in modern awards when they were first made (operative 1 January 2010) the allowances were based on the CPI figures in June 2008 [see Statement issued by AIRC on 20 May 2010 [[2010 FWA 3857](#)]]. Where the CPI index figure has not increased above the corresponding figure in June 2008, the allowance has not been increased. For example, uniform allowances based on the Clothing and footwear group have not increased since the modern awards were made.

## 2. Wage related allowances

All 'wage related' allowances that are based on the standard rate as defined in an award will be increased by 1.75% in accordance with increases to wages.