

Article Information

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Breaking news: Minimum wages increased and related issues you might have missed

Earlier today, the Full Bench of the Fair Work Commission handed down its Annual Wage Review decision, increasing the National Minimum Wage and minimum rates under modern awards. In this article, Ben Motro (Partner), Emily Setter (Senior Associate) and Julia Torrisi (Law Clerk) set out the Fair Work Commission's decision, and canvass some important implications for employers arising from the decision.

Background

Each year, an Expert Panel of the Fair Work Commission reviews and sets the National Minimum Wage, and the percentage by which minimum wages under modern awards will be increased.

From the first full pay period on or after 1 July 2026:

- the National Minimum Wage will increase from \$948.00 per week or \$24.95 per hour to \$1004.90 per week, or \$26.44 per hour; and
- all modern award minimum wages will be increased by 4.75%.

The modern award minimum wage rate increase is subject to what the Fair Work Commission has referred to as a “structural adjustment” to the very lowest paid classifications in modern awards, namely classifications paid at the C13 and C14 wage rates. We explain the nature of that adjustment in further detail below.

In coming to its decision, the Expert Panel must consider a range of statutory criteria. The minimum wages objective in s 284(1) of the *Fair Work Act 2009* (Cth)(the **Act**) requires the Commission to establish and maintain a safety net of fair minimum wages, taking into account:

- the performance and competitiveness of the national economy, including productivity, business competitiveness and viability, inflation and employment growth;
- the need to achieve gender equality, including by ensuring equal remuneration for work of equal or comparable value, eliminating gender - based undervaluation of work, and addressing gender pay gaps;
- the promotion of social inclusion through increased workforce participation;
- relative living standards and the needs of the low paid; and
- providing a comprehensive range of fair minimum wages to junior employees, employees to whom training arrangements apply, and employees with a disability.

The Expert Panel engages in considerable consultation and research before reaching its decision each year.

Who does the National Minimum Wage apply to?

The National Minimum Wage applies to employees under the Act who are not covered by a modern award, enterprise agreement or other transitional instrument.

For completeness, the National Minimum Wage Order also deals with related matters, and employers should review the Order in full (particularly those who engage juniors, apprentices, trainees and supported employees).

Employers should also note that the casual loading of 25 per cent for award/agreement-free employees, remains unchanged.

What is the “structural adjustment” to the C13 and C14 wage rates?

The C13 rate is the lowest wage rate applicable to ongoing employment in the modern award system, and the C14 wage rate is a special entry-level wage rate applicable to a limited initial period of employment. The Commission has determined to phase out the classifications paid at the C13 level and to make the next wage level up, the C12 level, the lowest wage rate for ongoing employment.

The Commission has foreshadowed this should be done in three stages, with the first stage being implemented as part of the Annual Wage Review. The Commission has indicated that this will involve the C13 rate being increased by an additional amount representing one-third of the difference between the C13 and the C12 rates. The C14 rate will be increased by the same percentage amount as the C13 rate to maintain its current relativity to C13.

The Commission has confirmed that these adjustments will result in the lowest wage rate in the modern award system applicable to ongoing employment being \$1004.90 per week or \$26.44 per hour, and the lowest wage rate applicable to entry-level employment for a period of no more than six months being \$978.10 per week or \$25.74 per hour.

The Commission has indicated a desire that the second and third stages may be implemented in the next two Annual Wage Reviews, but noted that will ultimately be a matter for the future Expert Panels.

We pay employees the minimum rates that apply to them under the applicable modern award - what are the implications for those employees?

The minimum wage rates under the modern award will increase in accordance with the Fair Work Commission’s decision, from the first full pay period on or after 1 July 2026. Trainee and apprentice wage rates in modern awards which are not expressed as a percentage of another classification rate will also be increased by 4.75 per cent.

Employers should consult the specific determinations which are published for each modern award, which give effect to the increases in modern award minimum wage rates.

Employers who pay an annualised wage arrangement in accordance with the terms of the applicable modern award should revisit those arrangements, to ensure that they are continuing to comply with them in light of the increased minimum award rates.

We pay our modern award-covered employees an annual salary - will these changes impact our arrangements?

The increase to modern award minimum rates is an important opportunity for employers to review whether the salaries which they are paying to employees are sufficiently high to compensate those employees for their modern award entitlements. Particularly where an employee’s annual salary was only marginally above the minimum rates in the modern award, employers should promptly assess whether the increased minimum rates in the modern award necessitate an employee’s annual salary being increased.

We refer to our recent article on Justice Perram’s [decision](#) in *Fair Work Ombudsman v Woolworths Group Limited; Fair Work Ombudsman v Coles Supermarkets Australia Pty Ltd; Baker v Woolworths Group Limited; Pabalan v Coles Supermarkets Australia Pty Ltd* [2025] FCA 1092. Justice Perram made clear that the employers in the circumstances of that case could only use remuneration paid to each employee in a fortnightly pay period to discharge Award obligations due in *that* fortnightly pay period. That is, the remuneration could not be used to offset future or past underpayments outside of that fortnightly pay period.

An enterprise agreement applies to our employees. Will this decision impact those employees?

Typically these rates will not have a direct impact on employees to whom an enterprise agreement applies. However:

- Employers should consult the remuneration provisions of the applicable enterprise agreement to determine if there is any direct impact to the minimum rates of employees under the enterprise agreement. For example, the remuneration provisions could provide for a corresponding increase in rates under the enterprise agreement in accordance with the decision of the Fair Work Commission, or the rates could be set to be \$X above the applicable modern award rate.
- Employers must monitor the base rates of pay in their enterprise agreement to ensure that they are no less than the modern award base rate which would otherwise apply to the employee (if, but for the enterprise agreement, a modern award would apply to them). If the base rates in the enterprise agreement are less than the base rates in

the modern award, the agreement has effect in relation to those employees as if the agreement rate were equal to the award rate. There are corresponding obligations for employees who, but for being covered by the enterprise agreement, would be entitled to the National Minimum Wage only. These obligations apply at all times, however, this risk of enterprise agreement base rates falling below modern award base rates most commonly arises after enterprise agreements have passed their nominal expiry date in circumstances where they do not provide for ongoing wage increases.

- Where an enterprise agreement is approaching or has passed its nominal expiry date, the increased modern award rates will likely impact the parties' position during bargaining, and will impact the Fair Work Commission's BOOT assessment for a successor enterprise agreement.

If you have any queries about this decision or its impact on your business, please contact a member of Piper Alderman's Employment Relations team.

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