

Article Information

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The Fair Work Commission awards a 2.4 percent increase to minimum wages

Having regard to the requirements under the Fair Work Act 2009 (Cth) to consider the economy, social inclusion through workforce participation, and the need to encourage collective bargaining

On 31 May 2016, the Fair Work Commission delivered its decision in the Annual Wage Review 2015-16.

Having regard to the requirements under the *Fair Work Act 2009* (Cth) to consider the economy, social inclusion through workforce participation, and the need to encourage collective bargaining, the Commission's Expert Panel concluded that a 2.4 percent increase to both the National Minimum Wage and Modern Award rates of pay was appropriate.

The National Minimum Wage will, from the first full pay period on or after 1 July 2016, be \$672.70 per week, or \$17.70 per hour. The Modern Award minimum rates have also increased by 2.4 percent on 1 July 2016.

The Expert Panel concluded that the level of increase they determined would not lead to inflationary pressure or have any negative impact on employment.

The Expert Panel noted that their decision would result in a modest improvement in the real wages for the 1.86 million employees around the country who are reliant on either the national minimum wage or Modern Award minimum rates of pay.

The Commission received submissions from 27 separate organisations, including the State and Commonwealth Governments, various employer and employee organisations, industry associations, and individuals. Some sought flat dollar increases, others percentage increases, whereas others either sought no increase at all, or remained silent as to the quantum of any increase. None of the stakeholders specifically advocated for a 2.4 percent increase. Employer organisations sought between 1.2 percent and 2 percent increases, whereas employee organisations sought an increase of between \$19 and \$30 per week. The 2.4 percent increase ordered becomes an increase of \$15.80 per week for the National Minimum Wage.

In coming to their decision to award the increase, the Expert Panel concluded that the following economic factors were most relevant:

- there has been a 3.0 percent increase in "real" GDP;
- there has been stronger labour market conditions over the past year;
- there has been a fall in the unemployment and under-employment rates;
- there are historically low levels of inflation and wages growth;
- company gross operating profits grew by 2.8 per cent for non-mining industries over the year to the December quarter 2015; and
- there has been a continuing fall in mining industry profits.

The Expert Panel also noted that an increase in the National Minimum Wage and the Modern Award rates would help to reduce the gender pay gap, concluding that:

- there is a substantial and persistent gap in the average hourly and weekly pay of men and women, in favour of men;
- women are significantly more likely to be paid at the award rate than are men at all levels of the award structure;
- workers paid at the award rate are much more likely to be low paid than are other workers; and

- at least at the highest rates in the award structure, women are heavily over-represented among those who are paid at the award rate.

Should your organisation need some advice as to what your Award-covered employees are entitled to be paid as a result of the 1 July 2016 increase, please contact a member of Piper Alderman's Employment Relations team. Employers with Enterprise Agreements will similarly need to make sure that their rates are at least as generous as the applicable Award rates of pay.

High income threshold

In addition to the Panel's decision to increase minimum wages from 1 July 2016, the "High Income Threshold" has increased from \$136,700 to \$138,900.

The change to the High Income Threshold affects various provisions of the Fair Work Act, including:

- employees who are not covered by an award or an enterprise agreement who earn above the Threshold are ineligible to commence unfair dismissal proceedings.
- for those employees who are eligible to commence unfair dismissal proceedings, the maximum compensation available is a maximum of either 26 weeks' pay, or half the amount of the Threshold (\$69,450), whichever works out to be lower.
- the Threshold determines which employees may be offered a "guarantee of annual earnings". For employees who earn above the Threshold, employers may offer those employees a guarantee that their earnings will exceed the Threshold for a particular period of time, with the result that no modern award will apply to them during that time.