

Approximately 2.7 million employees across Australia are set to see a pay rise following the release of the Fair Work Commission’s (FWC) Annual Wage Review.

Last year, the FWC announced an increase of 5.2% to the National Minimum Wages (NMW), with the FWC taking account of the sharp rise in the cost of living. The FWC also announced an increase to modern award minimum wages by at least 4.6%.

This year, the FWC received submissions from a range of stakeholders, including the Australian Chamber of Commerce and Industry, the Australian Council of Trade Unions, the Australian Industry Group, various employer and employee organisations, individual employers and employees, the Australian government, and state governments.

The FWC noted that the background of economic circumstances, including low unemployment, falling real wages and rising inflation, which significant weight was placed on, presented particular challenges to the review. In announcing the increase, the FWC did however acknowledge that the increases will not maintain the real value of the modern award wages.

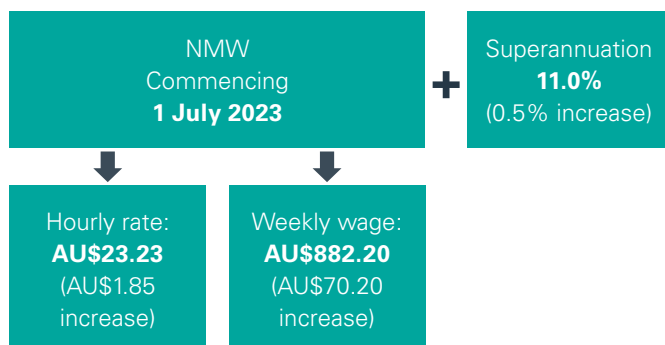
National Minimum Wage (NMW)

The FWC has announced a 5.75% raise to the NMW.

Significantly, the FWC also announced that it would no longer align the NMW to the C14 classification wage rate in modern awards (noting that the C14 wage rate was too low and no longer represented a proper minimum wage safety net).

Going forward, the NMW will be aligned to the C13 classification wage rate in modern awards, with the FWC applying the 5.75% increase from 1 July 2023 on the C13 classification wage rate. As a result, employees earning the NMW will this year receive an increase of 8.65%, from AU\$21.38 to AU\$23.23 per hour.

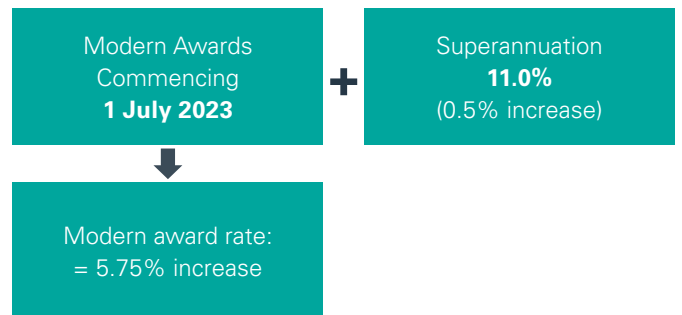
In summary:



Modern Awards

The FWC has also announced an increase to modern award minimum wages. Modern award minimum wages will also be increased by 5.75%.

In summary:



When Will the Increases Be Effective?

The increases will be effective from 1 July 2023.

Gender Pay Inequity

Finally, the FWC also signalled that a research project is on the FWC’s agenda, to identify occupations and industries where there is a potential gender pay inequity and gender undervaluation of work and qualifications. It is likely that the findings of this project will be represented in the FWC’s 2024-25 review.

What is the Impact for Employers?

Before 1 July 2023, relevant employers will need to take the following steps:

- Employers paying the NMW (or covered by an enterprise agreement that refers to the NMW) will need to implement the 5.75% increase from 1 July 2023.
- Employers paying in accordance with a modern award will need to implement the increase from 1 July 2023.
- Employers with employees covered by an enterprise agreement will need to ensure that the pay rates in the enterprise agreement are at least as high as they would be under the underlying modern award.

- Employers that pay annualised salaries that are intended to subsume all modern award entitlements should be undertaking assessments to ensure that those annualised salaries are still sufficient to absorb all modern award entitlements.

It is recommended that all employers take note of the increases and ensure that each employee is being paid at or above the new minimum rates.

If you would like further information about this increase, or assistance in determining which modern award applies to your employees, please get in touch.

Authors



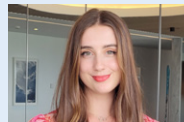
Nicola Martin

Partner, Sydney
T +61 2 8248 7836
E nicola.martin@squirepb.com



Elisa Blakers

Associate, Sydney
T +61 2 8248 7840
E elisa.blakers@squirepb.com



Abigail Harcombe

Paralegal, Sydney
T +61 2 8248 7840
E Abigail.harcombe@squirepb.com