

Fair Work Commission confirms 3.5% minimum wage increase

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In brief

On 1 June 2018, the Fair Work Commission (FWC) confirmed increases to the national minimum wage and award rates.

From 1 July 2018, national minimum wage and modern award rates of pay will increase by 3.5%. This will result in an increase from the current national minimum wage hourly rate of \$18.29 to \$18.93, or in weekly rate terms, from \$694.90 to \$719.20.

In detail

Annual Wage Review

The FWC has confirmed a 3.5% increase to the national minimum wage, resulting in increases of \$0.64 to the minimum hourly rate and \$24.30 to the minimum weekly rate from 1 July 2018.

From 1 July 2018, new national minimum wage rates will be \$18.93 (hourly) and \$719.20 (weekly for a full time employee).

The increase of 3.5% is more than the 3.3% or \$18.29 a week increase that was granted last year, and the highest minimum wage increase since 2010.

The FWC has confirmed that the 3.5% increase will also apply to modern award minimum rates of pay from 1 July 2018.

The FWC noted the impact of minimum wage terms on low-income Australians, and in particular the tendency for low-paid workers to be employed on a casual or part time basis, with 2016 HILDA data suggesting that 63% of low paid workers were engaged on casual contracts. Notwithstanding, the FWC maintained the casual loading within most modern awards and for award and agreement-free employees at 25%.

The FWC also considered that an increase in the national minimum wage and modern award minimum wages will assist in reducing the gender pay gap, where women are disproportionately represented among those on the national minimum wage, and reliant on modern award minimum wages.

The FWC concluded that the level of increase will not lead to undue inflationary pressure and is highly unlikely to have any measurable negative impact on employment. However, the FWC acknowledged that the proposed increase will not lift all national minimum wage and award-reliant employees out of poverty.

The current environment

Although union groups were advocating for a significant wage increase of up to \$50 per week, or 7.2%, general expectations were that the wage increase would be in a similar range to previous years. This was particularly given that the Federal Government's 2018-19 budget was premised on moderate wage growth moving from 2.25% to 3.25% by the 2019/20 fiscal year. Notwithstanding, this increase is somewhat surprising given the most recent *'Trends in Federal Enterprise Bargaining'* report. Issued in May 2018 for the December 2017 quarter, this report identified that the average wage increase across all of the 782 enterprise agreements approved in that quarter was only 2.5%.

The takeaway

It's important to note that mandated increases will commence on 1 July 2018, at the same time that Single Touch Payroll obligations will commence for most Australian employers.

In light of the impending increases, employers should now review wage rates to ensure that payroll systems take account of relevant increases to minimum wages and award rates, in time for 1 July 2018.

The FWC's decision comes shortly before the Senate Select Committee's report on the Future of Work and Workers in Australia is due (on 21 June 2018), which may further impact on employment practices in the short to medium term - particularly for casual contingent workers, most affected by national minimum wage rates.

Employers should also consider the impact of the FWC's annual wage review decision. For employers who are currently bargaining, there is no doubt this increase will place pressure on employers to offer higher annual wage increases. For other employers who have mid-year salary review processes, including for non-award employees, this higher-than-expected outcome will also likely raise employees' expectations.

Let's talk

For a deeper discussion of how these issues might affect your business, please contact:

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