

Annual Wage Review 2022-23 – Announcement of Decision



[1] We are announcing today the decision we have reached in this year’s Annual Wage Review.

[2] The Annual Wage Review is conducted in accordance with s 285 of the *Fair Work Act*, which requires the Fair Work Commission to undertake two tasks.

[3] The first task is to review, and make, the National Minimum Wage order. The National Minimum Wage sets a minimum rate of pay for employees in the national industrial relations system who are not covered by a modern award or an enterprise agreement. It does not set a floor for minimum wage rates in modern awards. Only a small number of employees, about 0.7 per cent of Australian employees are paid the National Minimum Wage.

[4] The second task is to review modern award minimum wages. There are 121 modern awards which apply to employees in the national industrial relations system in various industries and occupations. There are also a small number of modern enterprise awards which apply to specific business enterprises. Each modern award sets minimum wage rates for employees working in the industry, occupations or enterprises covered by the award. In setting award rates of pay, the Commission is required to take into account the amount of the National Minimum Wage.

[5] Approximately 20.5 per cent of Australian employees are paid in accordance with minimum wage rates in modern awards.

[6] There are some additional categories of employees who are also affected by the Review in a less direct way by Review outcomes being ‘flowed on’ by various means. However, these categories of employees are small in number. Our decision in this Annual Wage Review will therefore operate upon the wages of about a quarter of Australian employees.

[7] The characteristics of employees who rely on modern award minimum wage rates and are directly affected by our decision are significantly different to the workforce as a whole. They mostly work part-time hours, are predominantly female, and almost half are casual employees. They are also much more likely to be low paid.

[8] The broader economic effect of Annual Wage Review decisions is limited. The total wages cost of the modern award-reliant workforce constitutes about 11 per cent of the national ‘wage bill’. Wage increases awarded in last year’s Annual Wage Review decision directly contributed less than 10 per cent of the total wages growth in 2022. Furthermore, most of the modern award-reliant workforce is employed under a relatively small number of modern awards covering specific industries or occupations. This means the effect of the Review decision differs markedly as between industry sectors.

[9] The *Fair Work Act* requires us to take into account specific considerations in conducting the Annual Wage Review. These include relative living standards, the needs of the low paid, workforce participation, and the performance and competitiveness of the national economy. In

addition, amendments to the *Fair Work Act* made by the Parliament in 2022 require us to give greater emphasis to the issues of gender equality and job security. We have taken all these considerations into account.

[10] In conducting the Review, we have consulted with 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. Each of these have been given extensive opportunity to make submissions, both in writing and at a hearing before us conducted on 17 May 2023.

[11] A number of parties have advanced specific proposals for wage adjustments. These are set out in our written decision. However, we emphasise that the Annual Wage Review process is not one of adjudication between competing proposals. While we have taken the submissions made into account, ultimately our statutory task is to make our own assessment of what constitutes a safety net of fair minimum wages.

[12] The current combination of economic circumstances, namely low unemployment, falling real wages and high inflation, is very unusual and presents a particular challenge in this year's Review. A further challenge is the expected sharp slowdown in economic growth over the next year.

[13] In our consideration, we have placed significant weight on the impact of the current rate of inflation on the ability of modern award-reliant employees, especially the low paid, to meet their basic financial needs. Inflation is reducing the real value of these employees' incomes and causing households financial stress.

[14] We have also taken into account the recent robustness of the labour market, and the fact that increases to modern award minimum wage rates will provide a disproportionate benefit to female workers and thus may contribute to reducing the aggregate gender pay gap across the workforce.

[15] Moderating factors we have taken into account include the forthcoming increase to the Superannuation Guarantee contributions rate, and the effect that an expected weakening in the labour market may have on casual employees and on particular industries. We have also had regard to the need to avoid entrenching high inflation expectations by taking a perceived wage indexation approach, and the recent weak performance in productivity growth.

[16] The outcome we have determined in this year's review is as follows.

[17] The most important aspect of our decision concerns the adjustment to minimum wage rates in modern awards. **We have decided that award rates of pay will be increased by 5.75 per cent effective from 1 July 2023.**

[18] As the total wages of modern award-reliant workers constitute a limited proportion of the national wage bill, we are confident that the increase we have determined will make only a modest contribution to total wages growth in 2023-24 and will consequently not cause or contribute to any wage-price spiral.

[19] We acknowledge that this increase will not maintain the real value of modern award minimum wages nor reverse the reduction in real value which has occurred over recent years. However, the level of wage increase we have determined is, we consider, the most that can

reasonably be justified in the current economic circumstances. In the medium to long term, it is desirable that modern award minimum wages maintain their real value and increase in line with the trend rate of national productivity growth. A return to that path is likely to be possible in future Reviews when there is a reversion to a lower inflationary environment and trend productivity growth.

[20] In relation to the National Minimum Wage, we have decided to take two steps. The first step, which is a somewhat technical matter, is to end the alignment between the National Minimum Wage and the C14 classification wage rate in modern awards. The C14 rate was only ever intended to constitute a transitional entry rate for new employees. As such, it does not constitute a proper minimum wage safety net for award and agreement free employees in ongoing employment. We consider that a wider review concerning the needs and circumstances of low-paid award and agreement free employees is required, but the interim step we have decided to take in this Review is to align the National Minimum Wage with the current C13 classification wage rate. The C13 rate is the lowest classification rate applicable to ongoing employment in most modern awards.

[21] The second step is that we have further increased the rate of the National Minimum Wage by **5.75 per cent**.

[22] These adjustments will take effect on 1 July 2023. Because of the negligible proportion of the workforce to which the National Minimum Wage applies, this outcome will not have discernible macro-economic effects.

[23] Finally, we have identified in our written decision that there are significant issues concerning the potential gender undervaluation of work in modern award minimum wage rates applying to female-dominated industries and occupations. The scope and timing of the present Review has prevented these gender equality issues being addressed to finality. However, the imperative of the amendments made by the Parliament to the *Fair Work Act* last year concerning gender equality is that these issues must be resolved in future Reviews or other Commission proceedings.

[24] The Commission will soon commence a research project to identify occupations and industries in which there is potential gender pay inequity and gender undervaluation of work and qualifications, and once completed this will underpin the consideration and determination of the identified issues. The finalisation of these matters may, depending upon the timing, occur as part of or in association with the 2023-24 Review. All parties should be on notice that the timely resolution of these gender equality issues is firmly on the Commission's agenda.