

Methodology for adjusting expense related allowances in modern awards



This document outlines the method used by the Fair Work Commission to adjust expense related allowances in modern awards following the increase in wages as a result of the Annual Wage Review 2021–22 [[\[2022\] FWCFB 3500](#)].

The Annual Wage Review 2021–22 decision [[\[2022\] FWCFB 3500](#)] determined different operative dates for different awards as follows:

- 1 October 2022 – modern awards outlined at para [\[454\]](#)
- 1 July 2022 - all remaining modern awards

Determinations varying expense-related allowances in awards with wages being adjusted on 1 October 2022 will be published on 12 August 2022 based on the June quarter 2022 CPI data. Interested parties will have an opportunity to review and comment on them at that time.¹

Extract from standard clause in modern awards:

Adjustment of expense related allowances

- (a) At the time of any adjustment to the standard rate, each expense related allowance must be increased by the relevant adjustment factor. The relevant adjustment factor for this purpose is the percentage movement in the applicable index figure most recently published by the Australian Bureau of Statistics since the allowance was last adjusted.
- (b) The applicable index figure is the index figure published by the Australian Bureau of Statistics for the Eight Capitals Consumer Price Index (Cat No. 6401.0), as follows:

Allowance	Applicable Consumer Price Index figure
<i>Name of allowance</i>	<i>Nominated CPI group or sub-group</i>

1. Method of adjusting expense related allowances

Expense-related allowances in modern awards are adjusted in line with the increase in the index figure for the relevant CPI table between the March 2022 figure (or the June 2022 quarter in the case of awards with a 1 October operative date) and the figure **at the time the allowance was last adjusted**.

¹ [\[2022\] FWCFB 99](#)

1.1 Allowances adjusted on 1 July 2021 and 1 July 2022

Example – Meal allowance in clause 17.10(b)(i) of the Cleaning Services Award 2020 [MA000022] based on Take away and fast foods sub-group

Meal allowance as at 1 July 2021 (last adjustment) = \$13.96

CPI figure for March 2021 quarter = 121.3

CPI figure for March 2022 quarter = 124.1

Meal allowance as at 1 July 2022 = \$13.96 x (121.3/124.1) = 14.282242 rounded to \$14.28

1.2 Allowances not adjusted on 1 July 2022 e.g. Telecommunication equipment and services sub-group

When adjusting allowances in modern awards, the current CPI index is divided by the index for the year when the allowance was last adjusted. If the result is less than 1, the allowance is not increased.

For example, in [March 2022](#) the index for the Telecommunication equipment and services sub-group was 74.6. These allowances were last adjusted in 2014; in March 2014 the index was 103.4. Dividing this year's index by the March 2014 index = 74.6 / 103.4 = 0.72147002. As this result is less than 1, allowances based on this group are not adjusted (i.e. they are neither increased nor decreased).

1.3 Allowances to be adjusted on 1 July 2022 for awards with different operative dates in previous Annual Wage Reviews

In the Annual Wage Review 2019–20, the majority of the Expert Panel determined that exceptional circumstances warranted a delayed operative date of 1 November 2020 and 1 February 2021 for Group 2 and Group 3 Awards.² Consistent with the standard clause, the expense-related allowances of these awards were adjusted by the most recent CPI data available at their operative date; that being the September quarter 2020 for the Group 2 Awards and the December quarter 2020 for the Group 3 Awards.

In the Annual Wage Review 2020–21 it was determined that the variation of Group 2 Awards and some Group 3 Awards³ from the previous review would come into effect on 1 July 2021. In the Annual Wage Review 2021–22 it was determined that the variation to the *General Retail Industry Award 2020* (Retail Award) and many of the awards with an operative date of 1 November 2021⁴ in the 2021–22 Review will come into effect on 1 July 2022. As such, the adjustment factor of allowances of the same type may differ between awards.

For example, in July 2022, the vehicle allowance based on the Private motoring sub-group for the *General Retail Industry Award 2020* will be varied to the following:

Vehicle allowance as at 1 September 2021 (last adjustment) = \$0.82

CPI figure for June 2021 quarter = 109.7

² [\[2020\] FWCFB 3500](#) at para. 161. The composition of the Group 2 and Group 3 awards in the 2019–20 Review is listed at paras [178], [180]–[181].

³ This includes MA000003, MA000008, MA000083, MA000089 and MA000109.

⁴ [\[2022\] FWCFB 3500](#), awards with an operative date of 1 November 2021 in the 2020-21 Review are set out at para [207].

CPI figure for March 2022 quarter = 121.6

Vehicle allowance as at 1 July 2022 = $\$0.82 * (121.6 / 109.7) = \0.908952 rounded to $\$0.91$.

In comparison, the vehicle allowance for awards which had an operative date of 1 July since the Annual Wage Review 2019–20 will increase from $\$0.80$ to $\$0.92$ as at 1 July 2022. This is because they were last adjusted on 1 July 2020 and remained unchanged on 1 July 2021.⁵ As result, the percentage increase was found to be much greater as at 1 July 2022.

Vehicle allowance as at 1 July 2020 (last adjustment) = $\$0.80$

CPI figure for March 2020 quarter = 106.0

CPI figure for March 2022 quarter = 121.6

Vehicle allowance as at 1 July 2022 = $\$0.80 * (121.6 / 106.0) = \$ 0.917736$ rounded to $\$0.92$.

1.4 Allowances adjusted on 1 October 2022

The awards to be adjusted on 1 October 2022 use the June quarter 2022 as the most recent CPI data. These awards also had an operative date of 1 November 2021 in the previous annual wage review, with the September quarter 2021 being the relevant data at last adjustment for those allowances which changed. As such, these awards will have a different adjustment factor compared to the allowances in the awards adjusted on 1 July 2022.

For example, in October 2022, the motor vehicle allowance based on the Private motoring sub-group for the *Hospitality Industry (General) Award 2020* will be varied to the following:

Motor vehicle allowance as at 1 November 2021 (last adjustment) = $\$0.85$

CPI figure for September 2021 quarter = 113.2

CPI figure for June 2022 quarter = 124.7

Motor vehicle allowance as at 1 October 2022 = $\$0.85 * (124.7 / 113.2) = \0.93635159 rounded to $\$0.94$.

1.5 Allowances not adjusted since the modern award commenced

When determining the allowances in modern awards when they were first made (operative 1 January 2010) the allowances were based on the CPI figures in June 2008 [see Statement issued by AIRC on 20 May 2010 [\[2010\] FWA 3857](#)]. Where the CPI index figure has not increased above the corresponding figure in June 2008, the allowance has not been increased. For example, uniform allowances based on the Clothing and footwear group have not increased since the modern awards were made.

2. Wage related allowances

All 'wage related' allowances that are based on the standard rate as defined in an award will be increased in accordance with increases to wages.

⁵ As the index for the March quarter 2021 (106.5) was not high enough to increase the allowance after rounding.