



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 2022–23 [[\[2023\] FWCFB 3500](#)].

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

Name of allowance

Nominated CPI group or sub-group

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 2023 figure and the figure **at the time the allowance was last adjusted**.

1.1 Allowances adjusted on 1 July 2022 and 1 July 2023

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 2022 = \$14.28

CPI figure for March 2022 quarter (last adjustment) = 124.1

CPI figure for March 2023 quarter = 133.8

Meal allowance as at 1 July 2023 = $\$14.28 \times (133.8/124.1) = 15.396164$ rounded to \$15.40.

1.2 Allowances not adjusted on 1 July 2023 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 2023](#) the index for the Telecommunication equipment and services sub-group was 75.4. 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 = $75.4 / 103.4 = 0.729206963$. 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 2023 for awards with different operative dates in previous Annual Wage Reviews

In the Annual Wage Review 2021–22, the Expert Panel decided that the modern award minimum wage increase for the majority of modern awards would come into effect on 1 July 2022, with a select few awards to have a delayed increase coming into effect on 1 October 2022.¹

The method of adjusting the expense-related allowances in the 2021–22 Review was noted in the Statement issued on 17 June 2022.² Consistent with the 2019–20 and 2020–21 Reviews, where exceptional circumstances warranted a delayed increase, the expense-related allowances of an award were to be adjusted on the most recent CPI data available at its operative date, that being the March quarter 2022 CPI data for the July 2022 awards and the June quarter 2022 CPI data for the October 2022 awards.³

As such, the adjustment factor of allowances of the same type may differ between awards, depending on the previous operative date of the award.

For example, in the 2021–22 Review the wage-adjustment in the *Hospitality Industry (General) Award 2020* came into operation on 1 October 2022. The meal allowance (based on the Take away and fast foods CPI sub-group) at clause 21.1(a) of the award as at July 2023 would be calculated as follows:

Meal allowance as at 1 October 2022: \$14.40

CPI figure for June 2022 quarter (last adjustment) = 125.9

CPI figure for March 2023 quarter = 133.8

Meal allowance as at 1 July 2023: $\$14.40 * (133.8 / 125.9) = \15.303574 , rounded to \$15.30.

Note the difference in the inflation factor calculated for this award, compared to the example provided at **1.1**.

¹ [\[2022\] FWCFB 3500](#) at paras 454–455.

² [\[2022\] FWCFB 99](#).

³ [\[2022\] FWCFB 99](#) at paras 14–15.

1.3 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 adjusted automatically to reflect the specified percentage when the standard rate is varied.