



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 2018–19 [[\[2019\] 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
<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 2019 figure and the figure **at the time the allowance was last adjusted**.

1.1 Allowances adjusted on 1 July 2018 and 1 July 2019

Example – Meal allowance in clause 15.1(b) of the Security Services Industry Award 2010 [[MA000016](#)] based on Take away and fast foods sub-group

Meal allowance as at 1 July 2018 = \$16.49

CPI Index figure for March 2018 quarter = 113.4

CPI Index figure for March 2019 quarter = 117.0

Meal allowance as at 1 July 2019 = $\$16.49 \times (117.0/113.4) = 17.013491$ rounded to \$17.01

1.2 Allowances not adjusted on 1 July 2019 e.g. vehicle allowances

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 2019](#) the index for the Private motoring sub-group was 103.2. These allowances were last adjusted in 2014; in March 2014 the index was 103.8. Dividing this year's index by the March

2014 index = 103.2 / 103.8 = 0.994219653. 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 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. Minor increases in index figures—Rounding

When a CPI increase is very small there is sometimes no resulting increase in the allowance. For example when adjusting allowances in June 2013, the Private motoring sub-group index increased above the June 2008 figure, but only slightly. The increase up to the March quarter 2013 was so small that a motorcycle allowance of \$0.25 was only increased to \$0.2548 which rounded back down to \$0.25 per kilometre.

In order to fairly provide for each slight increase, in each year’s calculations those smaller allowances that were not varied due to rounding in past years will be adjusted based on the difference between the index figure in March 2015 and the quarter “when the allowance was last adjusted”.

Examples of adjustment of allowances in modern awards affected by rounding issues:

	To June 2011	June 2012	June 2013	June 2014	June 2016
Change in index figure for Private motoring sub-group*	June 2008– March 2011 0.9859154	June 2008– March 2012 1.0080482	June 2008– March 2013 1.0191147	June 2008– March 2014 1.0442656	March 2014– March 2018 0.99614643
Motorcycle allowance in clause 16.3(b)(ii) of the Animal Care and Veterinary Services Award 2010 [MA000118]					
Old allowance	\$0.25 per km	\$0.25 per km	\$0.25 per km	\$0.25 per km	\$0.26
Calculation	<i>Decrease in index figure - no change</i>	0.25 x 1.0080482	0.25 x 1.0191146	0.25 x 1.0442656	No adjustment (index < 1)
Adjusted allowance		\$0.25201205	\$0.25477865	\$0.2610664	
Rounded adjusted allowance	\$0.25 per km	\$0.25 per km No increase	\$0.25 per km No increase	\$0.26 per km	\$0.26 per km No increase

Tool allowance in clause 24.1(d) of the Joinery and Building Trades Award 2010 [MA000029]					
Change in index figure for All groups*	June 2008– March 2012 1.0906113	June 2008– March 2013 1.1179039	March 2013– March 2017 1.0566406250	March 2013– March 2018 1.0996093750	March 2018– March 2019 1.013321492
Old allowance	\$0.05 per hr	\$0.05 per hr	\$0.06	\$0.07	\$0.07
Calculation	0.05 x 1.0906113	0.05 x 1.1179039	0.06 x 1.079101563	0.06 x 1.0996093750	0.07 x 1.013321492
Adjusted allowance	\$0.0545305	\$0.0558951	\$0.064746094	\$0.0659765625	\$0.0709325044
Rounded adjusted allowance	\$0.05 per hr No increase	\$0.06 per hr	\$0.06 per hr No increase	\$0.07 per hr	\$0.07 per hr No increase

* using re-referenced figures - see Note 3

3. Re-basing of index numbers in 2012

At the end of the September 2012 quarter the Australian Bureau of Statistics (ABS) re-based or re-referenced all index numbers used:

“From the September quarter 2012, all index numbers will be calculated on a new index reference period of 2011-12. This will result in the index numbers for each index series being reset to 100.0 for the financial year 2011-12. Period-to-period percentage changes may differ slightly to those previously published due to rounding and the re-referencing. These differences do not constitute a revision.” [\[ABS website\]](#)

To ensure the relative change in index figures is correct, the figures used to calculate expense related allowances from June 2008 to March 2012 were replaced in June 2013 with the new ‘re-referenced’ figures as published on the ABS website.

4. Wage related allowances

All ‘wage related’ allowances that are based on the standard rate as defined in an award will be increased by 3.0% in accordance with increases to wages.