

# 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 2020–21 [\[2021\] FWCFB 3500](#).

The Annual Wage Review 2020–21 decision [\[2021\] FWCFB 3500](#) determined different operative dates for different awards as follows:

- 1 November 2021 – modern awards outlined at para [\[298\]](#)
- 1 September 2021 - General Retail Industry Award 2020 (Retail Award)
- 1 July 2021 - all remaining modern awards

*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:

| <b>Allowance</b>         | <b>Applicable Consumer Price Index figure</b> |
|--------------------------|---|
| <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 latest published figure<sup>1</sup> and the figure **at the time the allowance was last adjusted**.

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<sup>1</sup> For Awards whose increase takes effect on 1 July 2021, 1 September 2021 and 1 November 2021, the latest figure at the time is the March 2021, June 2021 and September 2021 quarters, respectively.

### **1.1 Allowances adjusted on 1 July 2020 and 1 July 2021**

#### **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 2020 = \$13.74

CPI figure for March 2021 quarter = 121.3

CPI figure for March 2020 quarter = 119.4

Meal allowance as at 1 July 2021 =  $\$13.74 \times (121.3/119.4) = 13.958643$  rounded to \$13.96

### **1.2 Allowances not adjusted on 1 July 2021 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 2021 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 the March 2021 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 that adjusted on 1 July 2021 for the Group 2 and 3 Awards of the Annual Wage Review 2019–20**

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.<sup>2</sup> 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 2020–21 Review it was determined that the variation of Group 2 Awards and some Group 3 Awards<sup>3</sup> from the previous review would come into effect on 1 July 2021. As such, the adjustment factor of allowances of the same type may differ between awards.

For example, in July 2021, the vehicle allowance based on the Private motoring sub-group for the Group 2 Awards will be varied to the following:

CPI figure for March 2021 quarter = 106.5

CPI figure for March 2014 quarter = 103.8

Vehicle allowance as at 1 July 2014 (last adjustment) =  $\$0.78 * (106.5 / 103.8) = \$0.80029$  rounded to \$0.80

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<sup>2</sup> [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].

<sup>3</sup> This includes MA000003, MA000008, MA000083, MA000089 and MA000109.

In comparison, the vehicle allowance for the Group 1 awards will remain unadjusted at \$0.80 as at 1 July 2021. This is because the increase in the Private motoring sub-group in the March quarter 2021 was not high enough to increase the allowance from \$0.80 at the time it was last adjusted in July 2020.

CPI figure for March 2021 quarter = 106.5

CPI figure for March 2020 quarter = 106.0

Vehicle allowance as at 1 July 2020 (last adjustment) =  $\$0.80 * (106.5 / 106.0) = \$0.8037736$  rounded to \$0.80. Despite the positive adjustment factor, the rounded value of the vehicle allowance will remain unchanged.

#### **1.4 Allowances that adjusted on a date other than 1 July 2021 (i.e. the General Retail Industry Award 2020)**

In the 2019–20 Review, the majority of the Expert Panel determined to delay the operative date of the increase to the General Retail Industry Award 2020 to 1 February 2020. In the 2020–21 Review, it was decided that expectational circumstances again justified delaying the operative date that review's increase to the same award to 1 September 2021.

The latest CPI data by 1 September 2021 was for the June quarter 2021, and therefore, the vehicle allowance in this award (based on the Private motoring sub-group) was calculated as follows:

CPI figure for June 2021 quarter = 109.7

CPI figure for March 2014 = 103.8

Vehicle allowance as at 1 July 2014 (last adjustment) =  $\$0.78 * (109.7 / 103.8) = \$0.82433526$  rounded to \$0.82.

However, the meal allowances of the award were not adjusted in the 2020–21 Review because the relevant CPI figures (from the Take away and fast foods sub-group) were not found to have increased since last adjustment. That is:

CPI figure for June 2021 quarter = 120.4

CPI figure for December 2020 = 120.6

As the inflation factor was less than 1 in this instance, the meal allowance remained the same as last adjusted on 1 February 2020 in this award.

#### **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 by 2.5% in accordance with increases to wages.