



Annual Wage Review 2026 – Announcement of Decision

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

[2] The *Fair Work Act 2009* requires the Fair Work Commission to conduct an Annual Wage Review. There are two main functions in the Review.

[3] The first is to review, and make, the National Minimum Wage order. The National Minimum Wage applies only to persons in the national industrial relations system who are not covered by a modern award or an enterprise agreement. Its practical effect is very limited since only a negligible fraction of the workforce is actually paid in accordance with the National Minimum Wage.

[4] The second, and more important function, is to review the minimum wage rates prescribed by modern awards and to consider whether they should be adjusted. Modern awards have much wider practical application. Approximately 21.1 per cent of all employees in Australia, amounting to almost 2.8 million people, are paid at an applicable minimum wage rate under a modern award. Accordingly, such employees, and their employers, are those principally affected in a direct way by this decision.

[5] The characteristics of those workers who are dependent on modern award minimum wage rates are markedly different from the workforce as a whole. They are over 60 per cent female, over 70 per cent work part-time hours, more than half are casual employees, and more than a third are low paid. Because of the part-time and low paid characteristics of the modern award-reliant workforce, the wages paid to them constitute only about 11.2 per cent of the national ‘wage bill’. This means that the direct effect of the Review on wages growth across the whole workforce is limited. However, the Review is obviously of significance to lower-paid workers in the community who rely upon this process to receive any increase in their pay, and to those who employ them.

[6] This modern award-reliant workforce is not spread evenly across the economy but is concentrated in certain sectors, meaning that the Annual Wage Review has more marked effects for employers and employees in these sectors. Four industry sectors account for over two-thirds of all modern award-reliant employees. They are Accommodation and food services, Health care and social assistance, Retail trade, and Administrative and support services.

[7] The Annual Wage Review is conducted in accordance with the statutory framework of the *Fair Work Act*. The Act requires us to establish and maintain a safety net of fair minimum wages. In doing so, we are required to take into account a number of identified matters including the performance and competitiveness of the national economy, the need to achieve gender equality, promoting social inclusion through increased workforce participation, and relative living standards and the needs of the low paid. In deciding the outcome of the Annual Wage Review, the Commission must make an evaluative judgment based on a balancing of the prescribed and other relevant considerations.

[8] The determination of this year's Review outcome has been particularly challenging because of the unusual degree of complexity in the interaction of the matters we are required to take into account. Until February this year, most elements of economic and business performance in Australia were sound. There was healthy economic growth and growth in jobs and hours worked, productivity, and business profits and investment during 2025, while wages growth remained moderate and real unit labour costs did not increase. However, the economy encountered capacity constraints in the latter half of 2025, with the result that the rate of inflation increased by more than forecast, to be well above the Reserve Bank target band. The tightening of monetary policy by the Reserve Bank which followed will undoubtedly slow down the economy in the year ahead.

[9] On top of this, the Australian economy faces the wild card of the Middle East conflict which broke out unexpectedly on 28 February 2026. The consequential disruption to oil supplies has accelerated inflation in Australia through direct effects on the price of petrol and diesel and second round effects on the price of a range of goods and services. This has added uncertainty as to the trajectory of the economy at least in the near future, although we note that the Reserve Bank and Budget forecasts for the economy to the end of financial year 2026–27 have not substantially changed because of the conflict, and headline inflation is projected to return to the Reserve Bank's target band by that time.

[10] A fundamental consideration which must be balanced against these matters is that most modern award-reliant employees are still in the position that their wage rates, in real terms, remain lower than what they were in July 2021, prior to the post-pandemic spike in inflation. The 'real wage gap' which has opened between the rate of the CPI and modern award wage rates has particularly affected the living standards of the low paid and their capacity to meet their needs. This is particularly the case when the rate of inflation for non-discretionary essential goods and services is running significantly higher than the headline CPI rate of inflation.

[11] Last year's Review, which involved a real wage increase, narrowed the real wage gap to a significant degree when it took effect on 1 July 2025. However, the accelerated rate of inflation since then has substantially opened up that gap yet again. The RBA forecasts that the headline rate of inflation for the year to June 2026 will be 4.8 per cent, such that it would take a wage rate increase of well over 5 per cent to now close the gap.

[12] Taking into account all of these matters, we have concluded, regrettably, that it would not be practicable or responsible in the current uncertain circumstances to award a real wage increase for employees reliant on modern award wage rates that would be sufficient to close the real wage gap entirely. However, we consider that we should at least ensure that modern award-reliant employees generally are not worse off in real terms than they were as at 1 July 2025, and that we should also take additional measures to protect the position of the very lowest-paid workers under modern awards.

[13] The decision we have made is as follows. First, modern award wage rates shall be increased by 4.75 per cent, effective from 1 July 2026. However, this is subject to a structural adjustment we have decided to make to the very lowest-paid classifications in modern awards, namely classifications paid at the C13 and C14 wage rates. The C13 rate is the lowest wage rate applicable to ongoing employment in the modern award system, and the C14 wage rate is a special entry-level wage rate applicable to a limited initial period of employment. As foreshadowed in last year's Review, we have decided to phase out classifications paid at the

C13 level and to make the next wage level up, the C12 level, the lowest wage rate for ongoing employment. We will do this in three stages, with the first stage being implemented as part of this Review. This will involve the C13 rate being increased by an additional amount representing one-third of the difference between the C13 and the C12 rates. The C14 rate will be increased by the same percentage amount as the C13 rate to maintain its current relativity to C13. These adjustments will result in the lowest wage rate in the modern award system applicable to ongoing employment being \$1004.90 per week or \$26.44 per hour, and the lowest wage rate applicable to entry-level employment for a period of no more than six months being \$978.10 per week or \$25.74 per hour. Our estimate is that this will affect around 100,000 of the lowest-paid employees.

[14] The National Minimum Wage, which is aligned to the C13 rate, will be increased to \$1004.90 per week, or \$26.44 per hour. This will also take effect from 1 July 2026.

[15] We intend to continue to progress our targeted program to review particular award classifications in order to eliminate gender-based undervaluation of work in modern awards and ensure that female workers receive equal remuneration for work of equal or comparable value. The Commission has now completed the review of priority awards which it initiated in the 2024 Review decision, and this will result in the phasing-in of wage increases to children's services employees, dental assistants, pathologists, disability home care workers, pharmacists and a range of other health professionals over the next few years. These are all female-dominated occupations, and we expect this to result in a further narrowing of the gender pay gap. The Commission will next move to progress the review of all professional classifications in modern awards which was initiated in the 2025 Review decision. The Commission will endeavour to complete this by the time of the 2027 Review. In addition, the Commission will hear and determine major gender undervaluation cases concerning nurses and flight attendants over the next year.

[16] The [full Review decision](#), which sets out in detail the reasons for the outcome we have determined, has now been published on our website.

[17] We conclude by thanking all parties that participated in this year's Annual Wage Review for their contributions. We also thank the staff of the Commission for their work in connection with the Review.