

Annual Wage Review 2025-26

Fair Work Commission

ACCI Submission

27 March 2026



**Working for business.
Working for Australia.**

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Executive Summary

ACCI proposes a fair, reasonable, responsible and sustainable increase in the National Minimum Wage (NMW) and Modern Award Wages (MAW) of 3.5 per cent. This provides a non-inflationary increase, within the Reserve Bank's target band, plus a productivity growth uplift.

The 2025–26 Annual Wage Review (AWR) must balance the needs of employees with the capacity of employers to sustain jobs and hours, particularly in award-reliant sectors. In the current environment, the Expert Panel of the Fair Work Commission (the Expert Panel) should avoid an increase above 3.5 per cent that risks adding materially to the cost pressures faced by business and inflation.

In making its decision for the 2025-26 Annual Wage Review, there are several factors that the Expert Panel must consider, including:

- Growth is lifting, but the economy is operating close to capacity. The December quarter national accounts showed GDP rising 0.8 per cent in the quarter and 2.6 per cent through the year, with government spending continuing to play an outsized role. Capacity constraints mean the economy has limited room to absorb a large, mandated cost shock.
- Inflation has rebounded and the risk is that it will remain persistent. Headline inflation rose to 3.7 per cent to February 2026 (underlying 3.3 per cent) and the submission notes further near-term inflation risks, including energy-related pressures. The Expert Panel must avoid an outcome that contributes to inflation staying higher for longer.
- Global conditions are softening and uncertainty is rising. The IMF describes the outlook as “resilient but fragile” and the OECD expects global growth to slow from 3.2 per cent in 2025 to 2.9 per cent in 2026. These forecasts were made before the beginning of the hostilities in Iran. With trade policy uncertainty and geopolitical risks now elevated further, the balance of risks is to weaker demand and renewed cost pressures. Tensions in the Middle East are an upside risk to inflation and a squeeze on profits. Higher energy/commodity prices and disruption risks are putting upward pressure on inflation and compressing businesses' margins, particularly for award-reliant sectors with limited pricing power. This reinforces the case for a measured award wage increase that does not add an excessive cost burden on business at the wrong time.
- Productivity is the binding constraint on “sustainable” wage growth. Recent very weak productivity performance, with wages running ahead of productivity, are contributing to higher unit labour costs and adding to domestic inflation pressure. Any increase in minimum and modern award wages should be disciplined and consistent with productivity realities.
- Employee earnings data show wide dispersion, with weekly outcomes strongly shaped by hours and job type. This reinforces the notion that very large uniform wage increases are likely to be poorly targeted.

- Business profits and cost indicators point to limited capacity to absorb large wage hikes. While businesses' gross operating profits rose 3.8 per cent in the year to December, wages and salaries rose 5.6 per cent annually. This indicates labour costs have been running ahead of profits growth on an annual basis.
- Input costs remain elevated and continue to pass through. Final demand Producer Price Index growth increased 3.5 per cent through the year to December 2025, led by services and construction. This indicates ongoing cost pressures are constraining employers' ability to absorb a larger mandated wage increase without flow-through effects on prices, hours or hiring.
- Business profits are uneven and exposed, especially outside mining and seasonal effects. The improvement in the December quarter profit result was influenced by seasonal factors and commodity-related effects (e.g., higher gold/silver prices supporting mining). Going forward economic headwinds from inflation, fuel shortages and supply chain challenges are expected to limit profits in many industries, particularly service industries such as retail and accommodation and food services. This reinforces the position that businesses have very limited capacity to absorb a large wage increase, particularly in award-reliant sectors.
- Taken together, rebounding inflation, fragile global conditions, heightened geopolitical risk, weak productivity and constrained business margins, the evidence supports ACCI's proposal for a moderate increase in minimum and modern award wages of 3.5 per cent. An outcome above 3.5 per cent would unnecessarily amplify cost pressures and inflation risks.
- The suggestion raised in the Annual Wage Review Decision 2025 that there was "some justification" to re-benchmark the minimum wage to the C12 rate¹ would mark a significant structural uplift, substantially increasing the number of employees receiving the minimum wage and imposing a large additional increase in the minimum wage at a time when businesses are least able to afford it. A large number of award classifications are tightly clustered between C12 and C13 (with many sitting very close to C12), meaning a mandated shift would compress award relativities and create flow-on pressure to business, at a time when productivity is weak, award-reliant sectors face tight margins and headwinds from global tensions are mounting.

¹ Annual Wage Review Decision [2025] FWCFB 3500, [149].

Introduction

1. In preparing ACCI's position for the current AWR, ACCI has consulted widely with its extensive and diverse network. While reaching an agreed position across a broad range of industries is not easy, the position advanced reflects differing economic conditions across sectors and the risks those conditions pose.
2. In reaching a view on the national minimum wage (NMW) and modern award wages (MAW), ACCI has also grappled with the social considerations required through the objects of the Fair Work Act (the Act), the modern awards objective and the minimum wage objective.
3. Some industry sectors advance differing perspectives and positions based on the experiences of their members. The Expert Panel should take this diversity of operating conditions into account, particularly where pricing power is limited and labour costs are a large share of total costs.
4. In advancing ACCI's position, the aim is to balance the full range of considerations — the economic environment, the needs of workers and cost-of-living pressures, alongside the high and rising cost of doing business and the need to sustain jobs and hours.
5. ACCI supports an increase in the NMW and MAW of 3.5 per cent, taking account of the full range of considerations relevant to a fair and relevant safety net. The proposed increase is non-inflationary and provides an uplift to account for productivity growth.
6. Keeping inflation in check (returning it to the Reserve Bank's target range as soon as possible) is essential at a time when both domestic and international risks remain elevated. Headline inflation has rebounded, rising to 3.8 per cent to January 2026, with underlying inflation at 3.4 per cent. In this environment, it is critical that the AWR outcome does not add materially to inflation persistence or "push out the curve" by compounding economy-wide cost pressures.
7. To be sustainable, any increase in wages must be linked to productivity. ACCI agrees that workers should share in productivity gains, but productivity outcomes remain weak, and the Reserve Bank's outlook points to only modest productivity growth over the medium term. Wage-setting that runs ahead of productivity risks embedding higher unit labour costs and adding to domestic inflation pressure.
8. Overall, the Expert Panel must hand down an increase to minimum and modern award wages that is fair and reasonable for both employees and employers, and responsible in terms of its potential to contribute to inflation and the risks posed to employment, business viability and the broader economy.

Statutory Considerations

9. In its review of the NMW and the modern awards minimum wages, the Expert Panel must take into account several statutory considerations provided in the Act. Namely, the objects of the Act in section 3, the minimum wages objective in section 284(1), and the modern awards objective in section 134(1).

10. The objects of the Act are as follows (emphasis added):

The object of this Act is to provide a balanced framework for cooperative and productive workplace relations that promotes national economic prosperity and social inclusion for all Australians by:

- (a) providing workplace relations laws that are fair to working Australians, promote job security and gender equality, are flexible for businesses, promote productivity and economic growth for Australia's future economic prosperity and take into account Australia's international labour obligations; and*
- (b) ensuring a guaranteed safety net of fair, relevant and enforceable minimum terms and conditions through the National Employment Standards, modern awards, and national minimum wage orders; and*
- (c) ensuring that the guaranteed safety net of fair, relevant and enforceable minimum wages and conditions can no longer be undermined by the making of statutory individual employment agreements of any kind given that such agreements can never be part of a fair workplace relations system; and*
- (d) assisting employees to balance their work and family responsibilities by providing for flexible working arrangements; and*
- (e) enabling fairness and representation at work and the prevention of discrimination by recognising the right to freedom of association and the right to be represented, protecting against unfair treatment and discrimination, providing accessible and effective procedures to resolve grievances and disputes, and providing effective compliance mechanisms; and*
- (f) achieving productivity and fairness through an emphasis on enterprise level collective bargaining underpinned by simple good faith bargaining obligations and clear rules governing industrial action; and*
- (g) acknowledging the special circumstances of small and medium-sized businesses.*

11. ACCI emphasises that all activities carried out under the Act must be consistent with its object and purpose and urges the Expert Panel to conduct the AWR with particular regard to the special circumstances of small and medium-sized businesses and the mandate of a fair workplace relations system that achieves flexibility for business and promotes productivity and economic growth.

12. This of course requires a deep consideration, not only of social factors, but of the prevailing economic circumstances. The objectives of modern awards and minimum wages also clearly outline this balance and will be explored below and throughout the submission.

13. The minimum wages objective is as follows:

(1) The FWC must establish and maintain a safety net of fair minimum wages, taking into account:

- (a) the performance and competitiveness of the national economy, including productivity, business competitiveness and viability, inflation, and employment growth; and*
- (aa) the need to achieve gender equality, including by ensuring equal remuneration for work of equal or comparable value, eliminating gender-based undervaluation of work and addressing gender pay gaps; and*
- (b) promoting social inclusion through increased workforce participation; and*
- (c) relative living standards and the needs of the low paid; and*
- (e) providing a comprehensive range of fair minimum wages to junior employees, employees to whom training arrangements apply and employees with a disability.*

14. The modern awards objective is as follows:

What is the modern awards objective?

(1) The FWC must ensure that modern awards, together with the National Employment Standards, provide a fair and relevant minimum safety net of terms and conditions, taking into account:

- (a) relative living standards and the needs of the low paid; and*
- (aa) the need to improve access to secure work across the economy; and*
- (ab) the need to achieve gender equality in the workplace by ensuring equal remuneration for work of equal or comparable value, eliminating genderbased undervaluation of work and providing workplace conditions that facilitate women's full economic participation; and*
- (b) the need to encourage collective bargaining; and*
- (c) the need to promote social inclusion through increased workforce participation; and*
- (d) the need to promote flexible modern work practices and the efficient and productive performance of work; and*
- (da) the need to provide additional remuneration for:*
 - (i) employees working overtime; or*
 - (ii) employees working unsocial, irregular, or unpredictable hours; or*
 - (iii) employees working on weekends or public holidays; or*
 - (iv) employees working shifts; and*
- (f) the likely impact of any exercise of modern award powers on business, including on productivity, employment costs and the regulatory burden; and*
- (g) the need to ensure a simple, easy to understand, stable and sustainable modern award system for Australia that avoids unnecessary overlap of modern awards; and*
- (h) the likely impact of any exercise of modern award powers on employment growth, inflation and the sustainability, performance, and competitiveness of the national economy.*

15. The minimum wages objective is self-evidently relevant to the AWR, and its relevance is specifically contained in section 284(2) of the Act. The modern awards objectives should be contemplated in the context of the review of modern award minimum wages, pursuant to section 134(2)(b) of the Act.

Fair and Relevant Safety Net

16. The consideration of 'fairness', as outlined both in the modern awards and minimum wages objectives, must balance the perspectives of employers and employees fairly.² The reference to 'relevant' has been interpreted by the Commission to mean that the safety net is to be suited to the prevailing circumstances.³
17. At the outset, ACCI would also draw attention to Expert Panel's previous observation that significant wage increases could inhibit the ability of employers to continue to employ workers on the NMW.⁴
18. It is only natural then that, in the context of the minimum wage, a significant wage increase could be innately incompatible with the aforementioned objectives. This is due to the ability of substantial wage increases to undermine the capacity of employers to employ thereby disproportionately negatively impacting upon needs the low paid, producing higher unemployment, reducing social inclusion through decreased workforce participation, detrimentally impacting women's employment who are more likely to be award reliant, and as a result undermine broader economic growth. To this end, and in the context of the AWR, the Expert Panel is tasked with providing a fair and relevant safety net to employees which is fair to employers as well as employees and which is guided by the prevailing circumstances within which this review takes place.
19. In ACCI's view, fairness and relevance warrant the Expert Panel, on this occasion, taking a far more reserved approach than it has in recent reviews.
20. In assessing the prevailing circumstances, ACCI submits that a necessary and critical consideration for the Expert Panel is the cumulative impact of the substantial, successive increases to the NMW and modern award minimum wages as a result of its decisions in since 2022.
21. Not only do those decisions provide relevant context to the review at hand, but they convey the importance of the Panel having a view to fairness and provide significant weight to the needs of employers due to the current economic outlook and uncertainty attached to developing global news.
22. These have been detailed in the sections below and will be further developed in later submissions; however, it highlights the necessity of the Panel to thoroughly explore the prevailing economic circumstances within which this review is to be conducted.
23. Indeed, the purpose of the economic considerations listed throughout the modern awards and the minimum wages objectives is to ensure that the Expert Panel, in the exercise of its powers, concerns itself with the growth and prosperity of the Australian economy. The Expert Panel has

² [2022] FWCFB 3500 at [18].

³ [2017] FWCFB 1001 at [37].

⁴ [2022] FWCFB 3500 at [161];

previously observed that this provides a particular emphasis to the economic indicators mentioned in the statutory considerations.⁵

24. There are common considerations, in one form or another, across the varying objectives, which ACCI intends to address. Naturally, all considerations within the minimum wages objective will be dealt with as they are central to the AWR process, however, the broader set of considerations which will be addressed are:
- The national economy
 - Productivity;
 - Business competitiveness and viability;
 - Inflation;
 - Employment growth;
 - Secure work;
 - Gender equality;
 - Social inclusion;
 - Junior, trainee, and disabled employees;
 - Flexible work;
 - Additional remuneration;
 - A stable and sustainable modern award system; and
 - The need to encourage collective bargaining.
25. It should be noted that the Expert Panel is not limited to the statutory considerations in sections 134 and 284, the Expert Panel may in fact consider other matters which it considers to be relevant.⁶
26. It is in this regard that ACCI also intends to bring additional economic and fiscal considerations to the attention of the Expert Panel in its submission.

Economic Considerations

Domestic Economic Outlook

Economic activity

27. The ABS National Accounts for the December quarter show stronger-than-expected economic activity, with GDP rising by 0.8 per cent in the quarter and 2.6 per cent through the year. Growth was supported by continued strength in government expenditure, which rose 0.9 per cent in the December quarter and contributed 0.2 percentage points to GDP growth.⁷
28. While GDP per capita increased by 0.9 per cent year-on-year in the December quarter, this follows an extended period between June 2023 and March 2025 when GDP per capita was negative. In recent years, the main drivers of the economy have been government spending and population

⁵ [2018] FWCFB 3500 at [10].

⁶ [2022] FWCFB 3500 at [5].

⁷ [Australian National Accounts: National Income, Expenditure and Product, December 2025 | Australian Bureau of Statistics](#)

growth, which have kept the Australian economy from experiencing a recession. However, with negative GDP per capita, the individual wealth of individuals has been going backwards.

29. With the recent pickup in economic activity, real GDP is expected to reach 2.25 per cent in 2025-26, from 1.4 per cent in 2024-25. Treasury noted that private final demand has contributed more to GDP growth than public final demand for four consecutive quarters and it is forecasted to remain the major driver of GDP growth.⁸ However, the economy is showing signs of reaching capacity constraints, which is limiting further growth and putting pressure on inflation.
30. More recent forecasts suggest a weakening in the outlook, with the Reserve Bank's *Statement of Monetary Policy* showing GDP growth to slowing in 2026 to 1.8 per cent by the end of the year then 1.6 per cent in 2027.⁹ With inflation rising, the Reserve Bank is under increased pressure and are expecting to raise the cash rate further in 2026 and 2027. With the rising geopolitical tensions, the inflationary pressures on the economy will be compounded and putting more pressures on the businesses. These forecasts were made in February, before the beginning of hostilities in Iran and the Reserve Bank Board's decision on a second consecutive increase in the cash rate to 4.1 per cent in March 2026. Higher inflation and additional interest rate rises are likely to further suppress GDP growth, such that it is now expected to fall well below 1.8 per cent in 2026.
31. Government expenditure continues to play an outsized role in supporting economic growth, rising 0.9 per cent in the December quarter and 3.3 per cent over the year, at a time when private sector conditions, although improving, remain fragile. Businesses face weak productivity growth and limited capacity to pass on the rising cost of doing business. In this environment, a large wage increase would significantly increase cost pressures, risk further margin compression, and could lead to reduced hiring, lower investment, or higher prices. A more moderate approach to wage setting is therefore required to avoid exacerbating inflationary pressures and undermining business viability while the economic recovery remains uneven.¹⁰
32. The NAB monthly business survey shows, business conditions and confidence improved in December, although still below historical norms. The improvement was driven by a recovery in trading and profit conditions after several years of decline. Capacity utilisation remains elevated at 83.2 per cent, which is contributing to cost and final price pressures. This reinforces concerns that the economy is operating close to capacity. Business have limited scope to absorb further cost pressures without passing them on to their customers, heightening inflation risks.¹¹

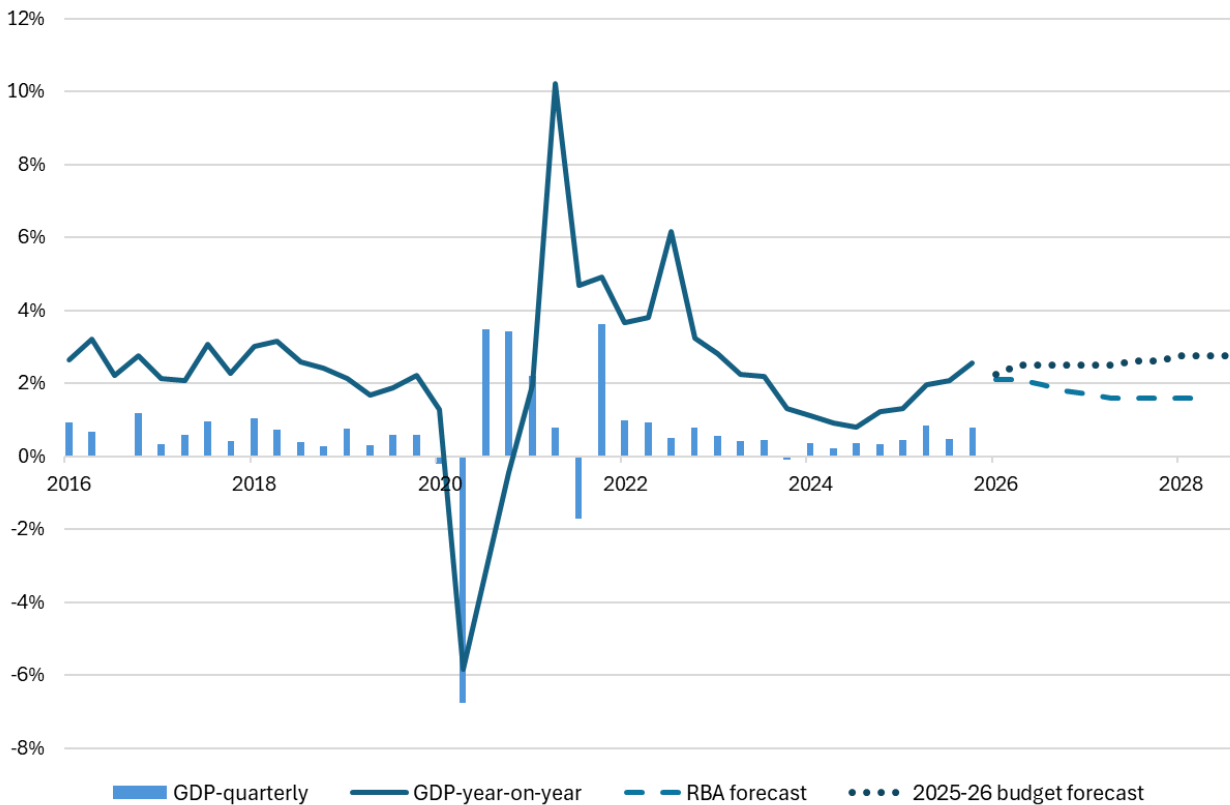
⁸ Treasury 2025, Mid Year Economic and Fiscal Outlook, December 2025. <https://budget.gov.au/content/myefo/index.htm>

⁹ Reserve Bank of Australia 2026, *Statement on Monetary Policy*. February 2026. <https://www.rba.gov.au/publications/smp/2026/feb/>

¹⁰ [Australian National Accounts: National Income, Expenditure and Product, December 2025 | Australian Bureau of Statistics](#)

¹¹ [Nab Monthly Business Survey, Dec-2025](#)

Figure 1: Gross Domestic Product, Australia including forecasts



Source: ABS 2026, Australian National Accounts: National Income, Expenditure and Product [RBA, Statement of Monetary Policy, February 2026] Budget 2025-26

International Economic Outlook

33. The IMF’s global economic outlook remains resilient but fragile, with the IMF projecting world growth of 3.3 per cent in 2026 and 3.2 per cent in 2027, noting that “this steady performance on the surface results from the balancing of divergent forces”, as technology-driven investment and accommodative financial conditions offset headwinds from trade policy shifts and geopolitical uncertainty, while downside risks remain tilted to the downside.¹² It should be noted that these forecasts were released before recent the conflict in Middle East began and are likely to be downgraded in the next release in April.

34. The OECD December 2025 outlook forecasts global GDP to slow by 0.3 percentage points from 3.2 per cent to 2.9 per cent from 2025 to 2026, then to pick up moderately in 2027 to 3.1 per cent. For 2025, the OECD has uprated its forecast for 2025 from 2.9 per cent to 3.2 per cent from June to December issue. The improved financial conditions are fuelled by optimism about the potential impact of new technologies, and rising AI-enabling investment and trade have helped underpin demand to a varying extent across economies. However, the full effects of higher US tariffs are yet to be felt. The OECD notes that global trade has moderated after strong front-loading of

¹² [IMF World Economic Outlook, Global Economy, January 2026](#)

merchandise trade early in the year ahead of anticipated tariff increases in the US, and inflation is yet to return to target in some countries. For Australia, the OECD has revised its forecast, slightly from 2.2 per cent to 2.3 per cent in GDP growth in 2026 and states that economic growth is now strengthening and becoming more private sector driven.¹³ Again, the forecasts were made before the beginning of hostilities in Iran and the growth forecasts are likely to be revised down in the next quarterly OECD Outlook release.

35. Trade policy assumptions (and tariff levels) remain a key baseline input. IMF projections assume end-December trade policies are permanent (including paused measures), with the US effective tariff rate underlying the forecast at 18.5 percent, and the rest-of-world effective tariff rate unchanged at 3.5 percent.¹⁴
36. Regional growth is expected to firm across several EMDE regions, with the IMF projecting Middle East & Central Asia growth to rise from 3.7 per cent (2025) to 3.9 per cent (2026) and 4.0 per cent (2027), and sub-Saharan Africa to lift from 4.4 per cent (2025) to 4.6 per cent (2026–27), while Latin America & the Caribbean moderates to 2.2 per cent (2026) before rebounding to 2.7 per cent (2027) and emerging & developing Europe recovers from 2.0 per cent (2025) to 2.3 per cent (2026) and 2.4 per cent (2027).¹⁵
37. The IMF highlights macro-financial fragilities that could amplify shocks, noting heavy sovereign issuance and shifting investor preferences are pushing sovereign debt toward shorter maturities, while global sovereign debt is projected to exceed 100 per cent of GDP by the decade's end. In parallel, the IMF observes that investor sentiment has supported high equity prices and historically narrow credit spreads, with record international sovereign bond issuance and greater access for some lower-rated sovereigns. These conditions that could reverse quickly if volatility returns, particularly given concerns about opacity and concentration risk in AI-related corporate financing and weak underwriting standards in parts of credit markets (including private credit).¹⁶
38. The situation in the Middle East, introduces a downside risk to the IMF and OECD projections. The IMF has stated that it is “closely monitoring developments”, noting disruptions to trade and economic activity, surges in energy prices, and volatility in financial markets, while emphasising that it is too early to assess the overall economic impact. The magnitude of the impact will depend on the extent and duration of the conflict, with a fuller assessment to be incorporated in the next World Economic Outlook.¹⁷
39. The International Energy Agency reports that the conflict has caused a major disruption to oil and products that flow through the Strait of Hormuz, with associated production curtailments and heightened price volatility, and notes that higher oil prices and a more precarious global outlook pose further risks to its demand assumptions.¹⁸

¹³ [OECD Economic Outlook, Volume 2025 Issue 2 \(EN\)](#)

¹⁴ [IMF World Economic Outlook, Global Economy, January 2026](#)

¹⁵ [IMF World Economic Outlook, Global Economy, January 2026](#)

¹⁶ [IMF World Economic Outlook, Global Economy, January 2026](#)

¹⁷ [IMF Statement on the Middle East](#)

¹⁸ [Oil Market Report - March 2026 – Analysis - IEA](#)

40. Consistent with this, the Reserve Bank of Australia has cautioned that it is too early to say how the conflict will affect Australia, noting that a supply shock could add to inflation pressures and affect inflation expectations, while a prolonged disruption to energy markets could also weigh on global activity and create downward pressure on inflation, highlighting that the net impact is uncertain and state-contingent.¹⁹

Household spending

41. Household consumption remained constrained by cost-of-living pressures, but strengthened over 2025, rising by 0.3 per cent in the December quarter 2025 and 2.4 per cent through the year to December 2025 (with discretionary consumption up 0.4 per cent and essential consumption up 0.2 per cent in the quarter).²⁰
42. Treasury expects economic growth to strengthen, with real GDP forecast to lift to around 2¼ per cent in 2025–26 and remain at around 2¼ per cent in 2026–27 (unchanged in both the Budget and MYEFO). Consistent with this outlook, MYEFO indicates household consumption is forecast to pick up over 2025–26, supported by strong real household disposable income growth of 4.1 per cent in 2024–25.²¹
43. NAB’s Consumer Spend Trend (October 2025) reports consumer spending rose 0.7 per cent over the month (and 1.5 per cent on a 3-month average basis), driven by gains in both goods (+0.8 per cent) and services (+0.6 per cent), with personal goods up 2.2 per cent as the end-of-year sales season began, annual spending growth eased to 7.1 per cent (down from 8.0 per cent in September), led over the year by utilities & telecoms following the end of energy bill rebates.²²
44. Households are bracing for further rate pressure and pulling back on major purchases, following the RBA’s interest rate hikes in February and March, the first in over two years. The Westpac–Melbourne Institute Consumer Sentiment Index fell 2.6 per cent to 90.5 in February, with the weakness concentrated in “time to buy a major item” (-5.6 per cent) and “family finances vs a year ago” (-4.7 per cent).²³
45. The CommBank Household Spending Insights (HSI) index recorded its first monthly decline since September 2024, falling 0.5 per cent in February 2026, with spending declining across six of the twelve categories. Annual growth eased to 4.9 per cent, the slowest pace since August 2025. The pull-back was concentrated in discretionary and cost-sensitive categories—including recreation (-1.0 per cent m/m), transport (-0.8 per cent) and hospitality (-0.2 per cent)—while growth was largely confined to essential and price-inelastic services, such as health and household services (both +0.4 per cent m/m).

¹⁹ [RBA governor says 'too early to say' how Middle East war will impact Australia's economy - ABC News](#)

²⁰ [Australian National Accounts: National Income, Expenditure and Product, December 2025 | Australian Bureau of Statistics](#)

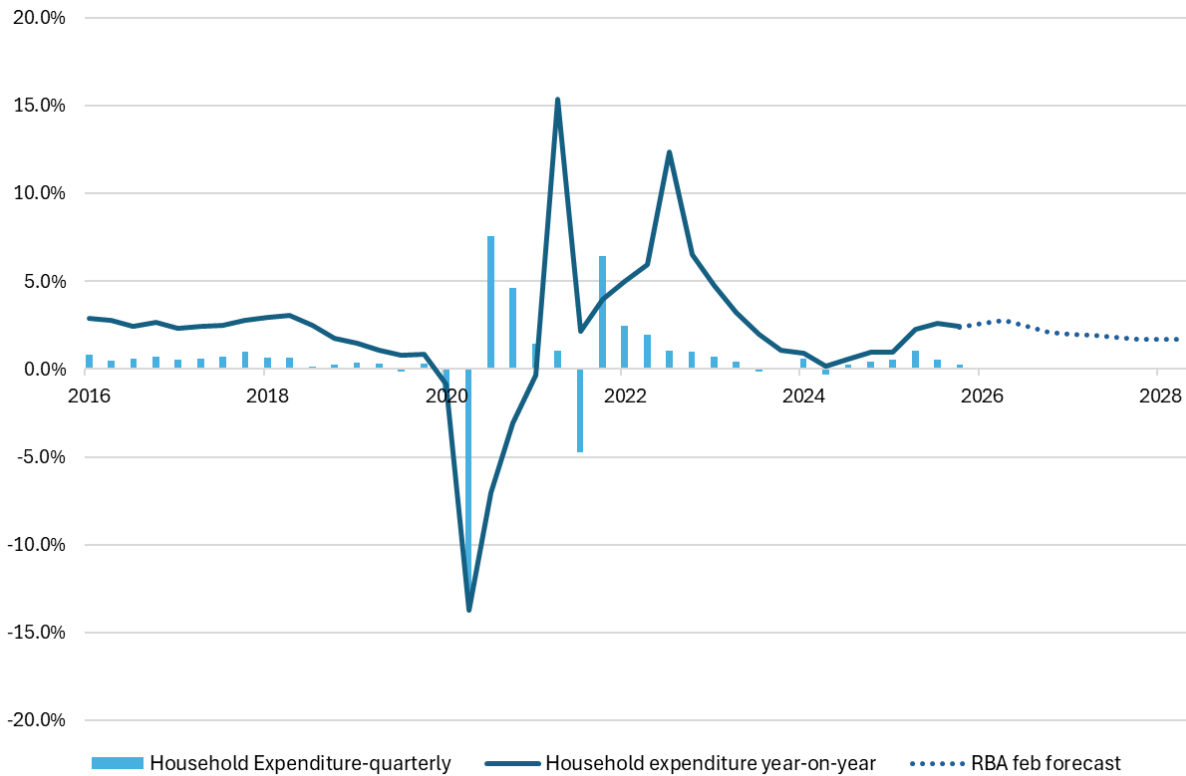
²¹ [Mid-Year Economic and Fiscal Outlook 2025–26](#)

²² [Nab Consumer Spend Trend, October 2025](#)

²³ [Westpac-MI consumer sentiment bulletin, February 2026](#)

46. This pattern suggests households are increasingly prioritising essential expenditure and pulling back on discretionary spending amid higher interest rates and persistent cost-of-living pressures. In this environment, wage-setting must be carefully calibrated to avoid compounding demand weakness or placing additional pressure on employment and business viability in award-reliant sectors.²⁴

Figure 2: Household Consumption



Source: ABS 2026, Australian National Accounts, December 2025| RBA, Statement of Monetary Policy, February 2026

Inflation

47. Headline inflation is down from 3.8 per cent in January to 3.7 per cent in the year to February 2026, while underlying inflation was steady at 3.3 per cent.²⁵

48. Housing has been a key driver of inflation over the past year, up by 7.2 per cent for the year to February (from 6.9 per cent in January), driven in part by a sharp rise in electricity prices (+37 per cent over the year) as households exhausted Commonwealth and state rebates following the cessation of the Commonwealth Energy Bill Relief Fund. It should be noted that excluding rebates,

²⁴ [CommBank Household Spending Insights- February 2026](#)

²⁵ [Consumer Price Index, Australia, January 2026 | Australian Bureau of Statistics](#)

electricity prices rose 4.5 per cent over the year (reflecting July 2025 annual price reviews).²⁶ However, it is not just energy contributing to housing inflation, with rent up 3.8% for the year to February and new dwelling prices up 3.7 per cent. In addition, other industry sectors are experiencing price growth above the target range, particularly education (4.8 per cent), clothing and footwear (4.9 per cent), and alcohol and tobacco (4.3 per cent), as well as coffee, tea and cocoa (11.4 per cent), red meat (>10 per cent), childcare (9.1 per cent), and medical and hospital services (4.4 per cent).

49. Inflation risks remain elevated and skewed to the upside. The RBA's February 2026 forecasts have headline inflation peaking at 4.2 per cent and underlying inflation at 3.7 per cent by mid-2026. The RBA notes the outlook has been revised materially higher and highlights that near-term inflation risks may have tilted upward due to recent geopolitical developments and related uncertainty, which could amplify price pressures via volatile commodity and supply conditions—raising the risk that inflation remains higher for longer and requiring a more restrictive cash-rate path.²⁷
50. The RBA's February 2026 minutes note that the pick-up in inflation in the second half of 2025 was broadly based, with the share of CPI items rising at an annualised pace above 2.5 per cent increasing sharply and sitting high by historical standards, consistent with economy-wide capacity pressures (including above-average capacity utilisation and ongoing strength in unit labour costs) that risk keeping inflation elevated without a policy response.²⁸
51. The ABS Selected Living Cost Indexes (SLCIs) data shows that the cost-of-living pressures differ materially by household type. In the 12 months to the December 2025 quarter, living costs rose by between 2.3 per cent and 4.2 per cent, depending on household expenditure patterns.²⁹
52. Of most relevance to the Annual Wage Review is the employee living cost index (ELCI), whose primary source of income is wages and salaries. The ELCI recorded the smallest annual rise of 2.3 per cent in the year to September 2025. Households whose main source of income is government payments recorded larger annual increases (including 4.1 per cent for the Pensioner and Beneficiary LCI, 4.2 per cent for age pensioner households, and 4.0 per cent for other government transfer recipients).³⁰
53. Housing, food and non-alcoholic beverages, and recreation and culture were the main contributors to annual living cost increases across the household types, with insurance and financial services the main offsetting contributor for most LCIs. For employee households, mortgage interest charges make up a higher proportion of expenditure, with these costs falling over the year as banks cut interest rates following RBA decisions in February, May and August 2025.

²⁶ [Consumer Price Index, Australia, January 2026 | Australian Bureau of Statistics](#)

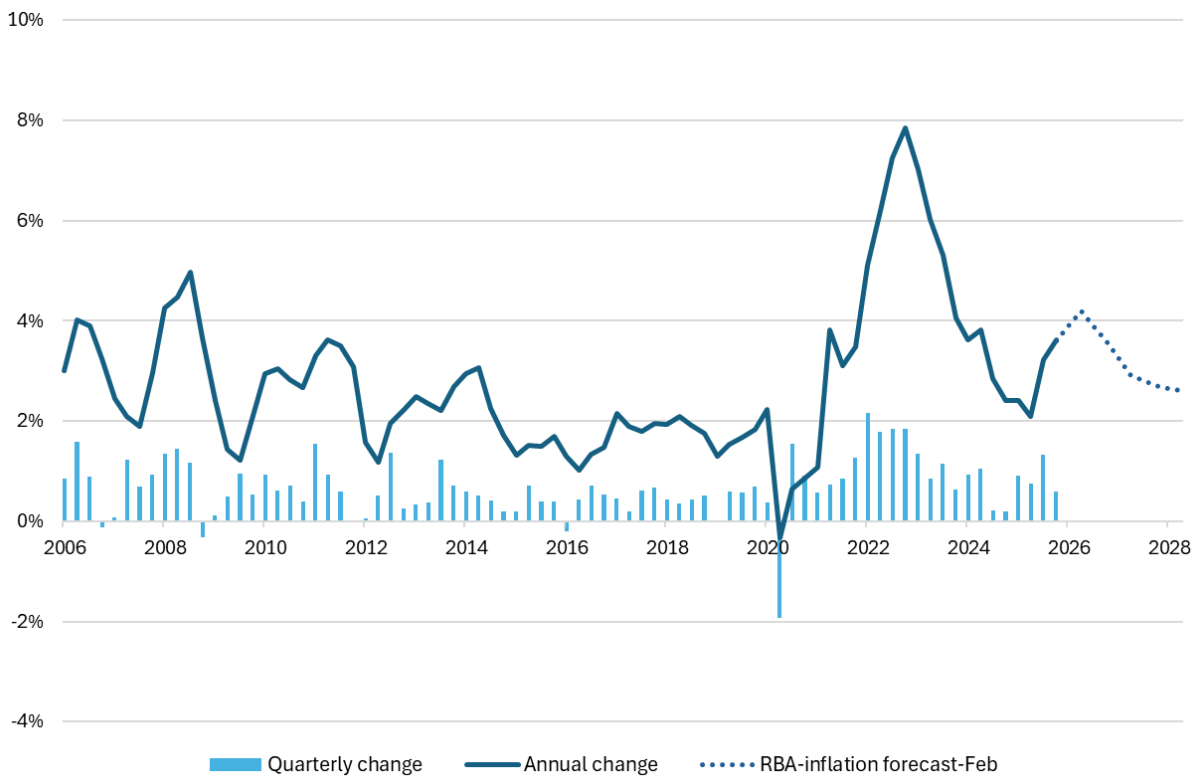
²⁷ [Statement on Monetary Policy](#)

²⁸ [3 February 2026 | Minutes of the Monetary Policy Board Meeting | RBA](#)

²⁹ [Selected Living Cost Indexes, Australia, December 2025 | Australian Bureau of Statistics](#)

³⁰ [Selected Living Cost Indexes, Australia, December 2025 | Australian Bureau of Statistics](#)

Figure 3: Consumer Price Index, Australia, including Budget forecast 2025-26



Source: ABS 2026, Consumer Price Index, Australia | Budget forecast 2025-26

Productivity

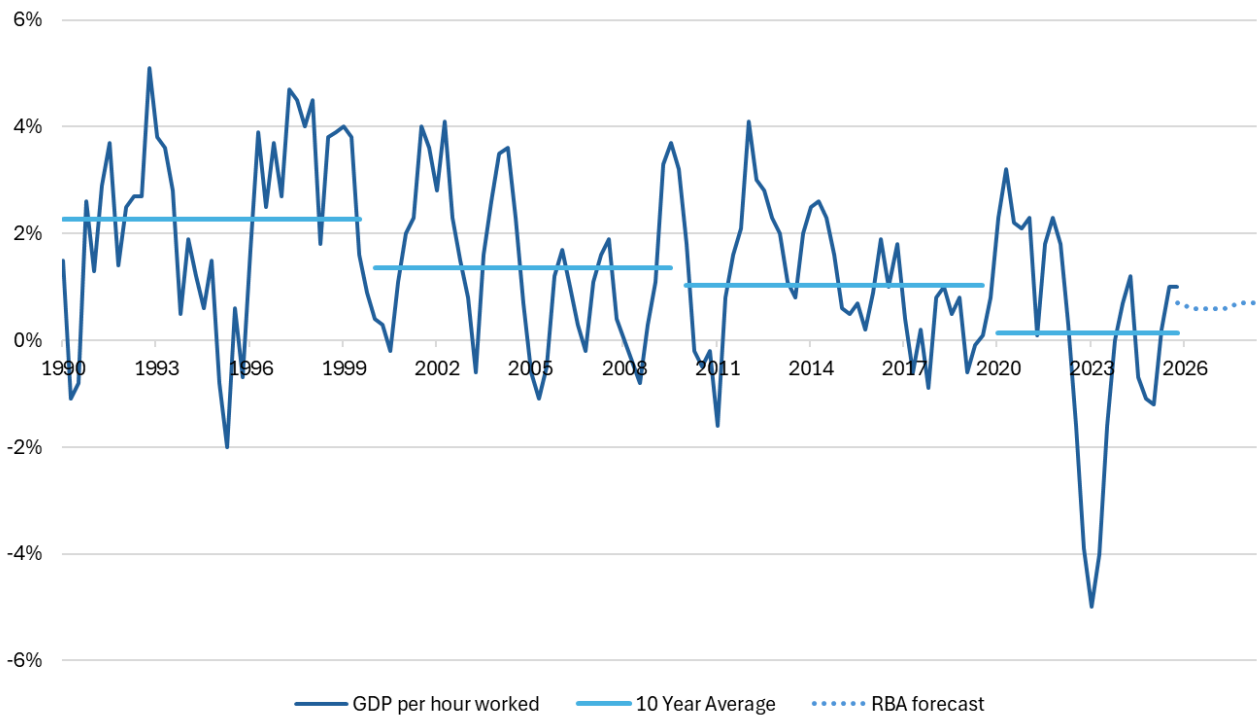
54. Australia’s productivity growth has slowed significantly since the turn of the century, with average annual growth of one per cent in the decade to 2020, the lowest in over 60 years. It has since flatlined to near zero in the first half of the 2020s, averaging just 0.1 per cent over the past five years.³¹
55. Productivity did move into positive territory in the year to September 2025 and rose further in the December, lifting to 0.8 per cent then 1.0 per cent with the improvement in business investment over the past year. However, quarterly growth in December was zero, suggesting the recent improvement in productivity may be temporary.
56. The Reserve Bank’s *Statement on Monetary Policy* forecasts labour productivity to settle back to around 0.6-0.7 per cent over the next two years.³² This is still well below the low of 1 per cent annual average growth over the decade before 2020 and far below what is needed to sustain a strong prosperous economy. This low level of productivity growth will also constrain the capacity of the economy to sustain real (above-inflation) wages growth without adding to unit labour cost and inflationary pressures.

³¹ [Australian National Accounts: National Income, Expenditure and Product, December 2025 | Australian Bureau of Statistics](#)

³² [Statement on Monetary Policy](#)

- 57. The reform agenda to lift productivity is increasingly “data-and-care-economy” focused. The Productivity Commission (PC) frames the next uplift as coming from harnessing data and digital technologies (including AI), boosting human capital, and reshaping the care economy to deliver higher-quality services more efficiently. The PC report reinforces the view that policy should prioritise productivity-enhancing changes (technology adoption, skills, and more efficient service delivery) rather than relying on cost growth to drive wages.³³
- 58. Treasurer Jim Chalmers said “Flatlining productivity is one of the biggest challenges facing our nation, and that’s why we need a big national effort to turn it around”.³⁴
- 59. RBA Governor Bullock also highlighted that “growth in unit labour costs remains elevated alongside continued weak productivity growth”, pointing to the way weak productivity can translate into higher domestically driven cost pressures.

Figure 4: Productivity Growth and 10-year averages



Source: Australian Bureau of Statistics 2025 National Accounts: National Income, Expenditure and Product, March 2025, RBA, Statement of Monetary Policy, February 2025

³³ [Growth mindset: how to boost Australia’s productivity](#)

³⁴ [Public consultation on productivity reform priorities | Treasury Ministers](#)

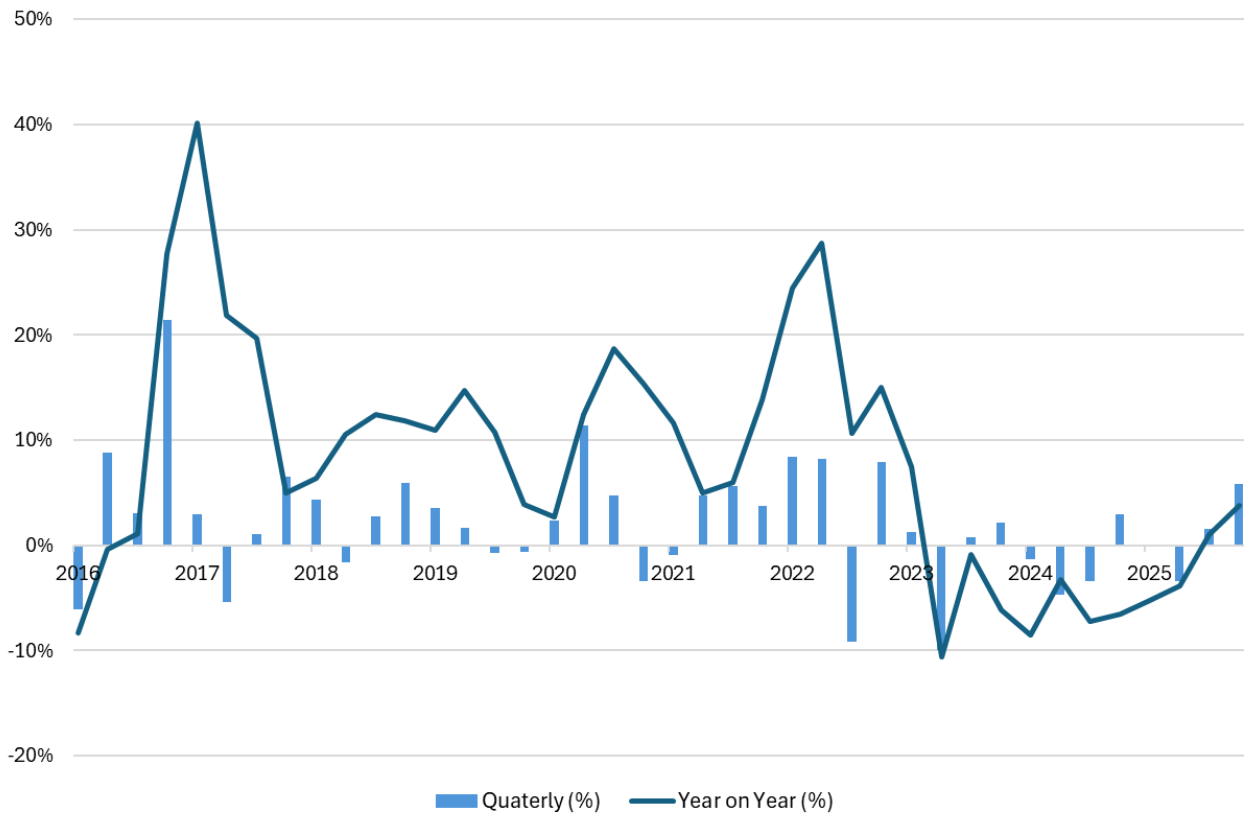
Business profitability

60. It is important for the Expert Panel to note that businesses are under extreme pressure. While recent data show business profits improved at the end of 2025, returning to positive territory after years of decline, this was due to a seasonal boost over the Christmas period and a rise in the prices of gold and silver, which pushed up profits of the mining sector. With the geopolitical uncertainty from the rising tensions in the Middle East and new US tariffs, business profits are expected to contract in 2026, which would be compounded if wages are to increase sharply.
61. After over two years of decline, ABS Business Indicators data shows business gross operating profits rose 3.8 per cent in the year to December 2025. Over the same period, wages and salaries increased by 5.6 per cent for the year, outpacing profits by 1.8 ppts.³⁵
62. Compensation of employees is rising strongly, reflecting tight labour conditions and wage-setting outcomes. ABS National Accounts show wages and salaries rose 6.1 per cent through the year to the December quarter 2025 and total compensation of employees was up 6.4 per cent through the year, with a 1.4 per cent rise in the quarter. The ABS notes this growth reflects higher headcount, hours worked and wages, with key industry drivers including Construction, Health Care and Social Assistance, Professional, Scientific and Technical services, and Mining. Public-sector strength was also supported by scheduled pay rises and new enterprise agreements (including some backpay and bonuses).³⁶

³⁵ [Business Indicators, Australia, December 2025 | Australian Bureau of Statistics](#)

³⁶ [Australian National Accounts: National Income, Expenditure and Product, December 2025 | Australian Bureau of Statistics](#)

Figure 5: Company Gross Operating Profit



Source: ABS, Business Indicators, December 2025

63. The forecast economic headwinds will limit profits in most industries, particularly service industries such as retail trade, and accommodation and food services. Similarly, with tight profit margins in the construction, the sector will continue to face pressures from rising costs and labour shortages.

Insolvencies

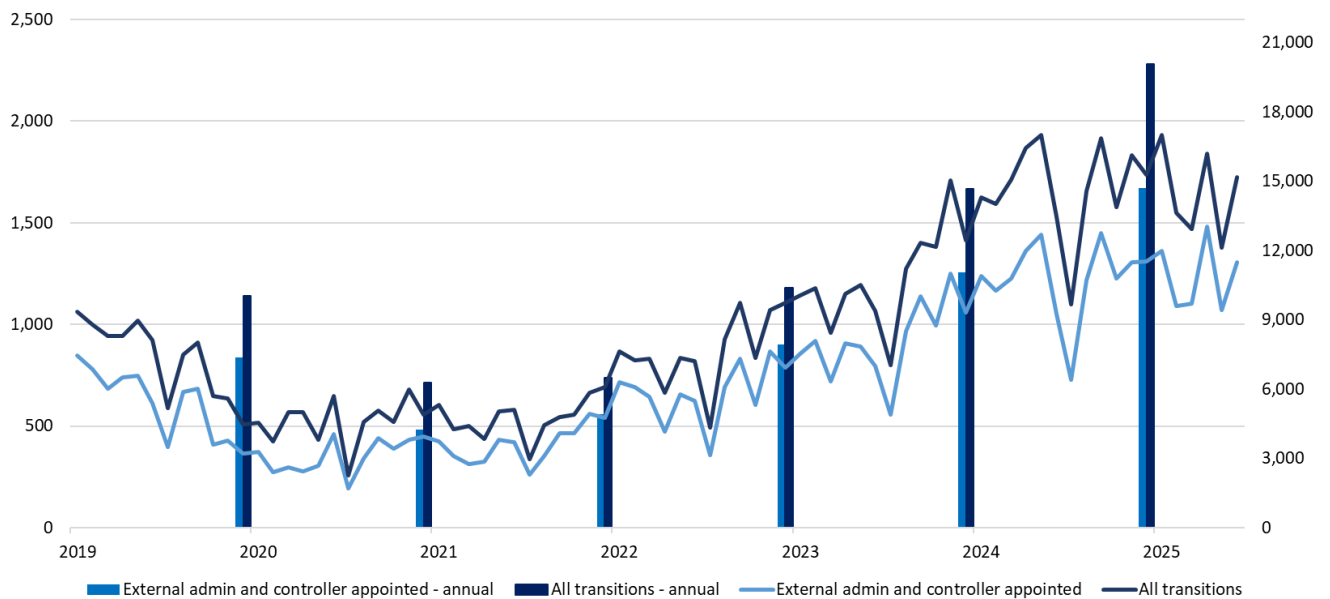
64. Despite the improvement in business conditions over the past year, insolvencies continue at a very high level, well above their long-term average. There was always expected to be a period of catchup with insolvencies, after the ATO has begun recovering tax liabilities built up during the pandemic. Insolvencies had been very low during the COVID years, kept in check by a range of government support measures, as well as the constraints imposed on the banks and the leniency showed by the ATO.

65. By 2022-23 insolvencies returned to more normal levels, but since then the rate of insolvencies has accelerated and are much higher than expected. In the 2023-24 financial year, insolvencies were 50 per cent higher than the 10-year average. In 2024-25, they increased further to almost double the long-term average rate. They are likely to be at a similar level in 2025-26, as they are already close to the 10-year average in the first 6 months.

66. Figure 6 shows that on an annual basis, the level of insolvencies have increased to almost double pre-COVID levels, with external admin and controller appointed transitions reaching 14,722 in 2024-

25, compared to the long term average of around rose from 7,900 (which is consistent with 2019-20 and 2022-23 levels).

Figure 6: Insolvency Statistics

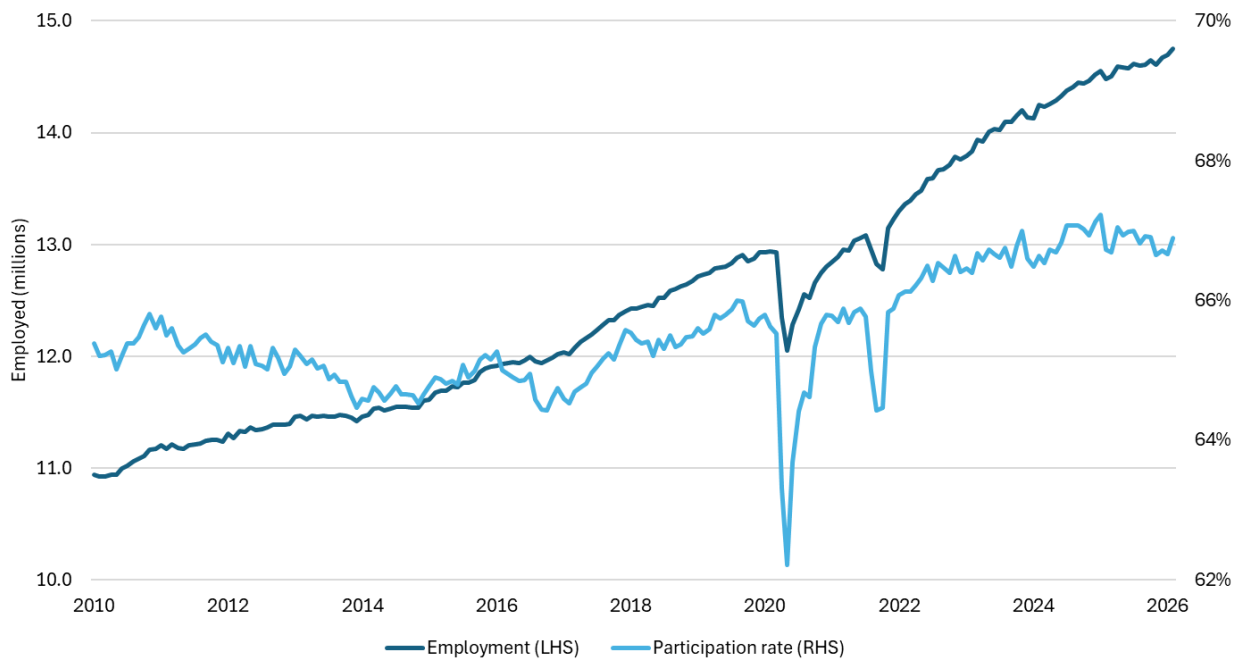


Source: ASIC, Insolvency statistics

Labour Market Considerations

67. The workforce has been expanding strongly in recent years and, although the rate of growth has slowed from its peak of 3.4 per cent in 2023, it continued at above 1.5 per cent over the past year, with around 134,000 jobs added.
68. The rate of employment growth is expected to slow a little further over the next year, but continue at around 1.2 per cent over the next few years. This is consistent with the long-term average employment growth rate.
69. The majority of jobs created in the past year have been in the private sector as business conditions improve. With the strongest growth in utilities (electricity, gas, water services), accommodation and food services, construction, and transport, postal and warehousing.
70. Following very strong growth in the previous two years, supported by strong government spending, jobs growth in non-market sectors of education and training, healthcare and social assistance, and public administration and safety has slowed over the past year, although they continue to grow at a rate above 1 per cent, which is in line with the average of all sectors.
71. The strong employment growth has been supported by a lift in the participation rate over the past four years, fluctuating around 67 per cent in recent times. This compares to an average below 66 per cent prior to 2020.

Figure 7: Employment



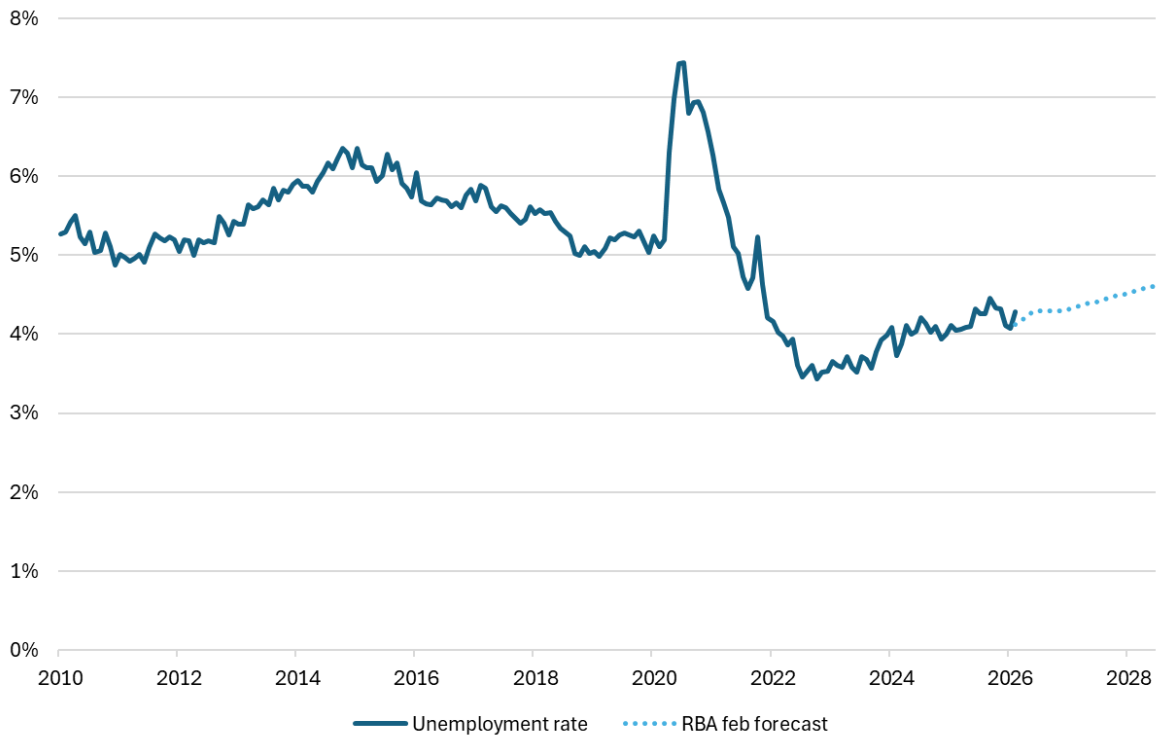
Source: ABS, Labour Force, February 2026

72. Despite earlier expectation that unemployment would rise to around 4.5 per cent by the end of 2025, unemployment has remained relatively stable, bouncing around 4.3 per cent over the past six months, then slipping back to 4.1 per cent in December. MYEFO is forecasting the unemployment rate to edge up to 4.5 per cent in 2026 and remain around that level in 2027.³⁷ Full employment is estimated by Treasury and the RBA to be around 4.25 per cent to 4.5 per cent, indicating the labour market remains very tight.
73. The Budget states annual real wages have grown for five consecutive quarters and are forecast to rise by 0.5 per cent in 2024–25 and 0.25 per cent in 2025–26, while nominal wages are expected to continue growing above the pre-pandemic average, supporting a cautious approach to any further large award wage increases.³⁸

³⁷ [Budget Paper No. 1](#)

³⁸ [Budget Paper No. 1](#)

Figure 8: Unemployment



Source: ABS, Labour Force, February 2025; Budget 2025-26

Job Vacancies

74. Labour demand is easing at the margin, but job vacancies remain at an elevated level. ABS data shows, total job vacancies were 326,700 in November 2025, down 0.2 per cent from August 2025 (seasonally adjusted), indicating labour demand has stabilised but is no longer rising.³⁹
75. The ABS notes the quarterly dip was “led by a decrease in vacancies in the private sector.”⁴⁰ Private sector job vacancies were down 6.8 per cent over the year (seasonally adjusted) and down 0.5 per cent over the quarter. In contrast, public sector vacancies rose 1.8 per cent over the quarter and 8.9 per cent over the year (seasonally adjusted), pointing to ongoing public-sector recruitment pressure and continued competition for workers.
76. The ABS highlights that job vacancies are 31 per cent lower than the May 2022 peak, consistent with a progressive easing in labour-market tightness since that peak.⁴¹
77. With job vacancies falling over the year (-5.2 per cent) and private-sector job vacancies doing most of the adjustment, the labour-demand pulse is cooling rather than accelerating. This suggests a

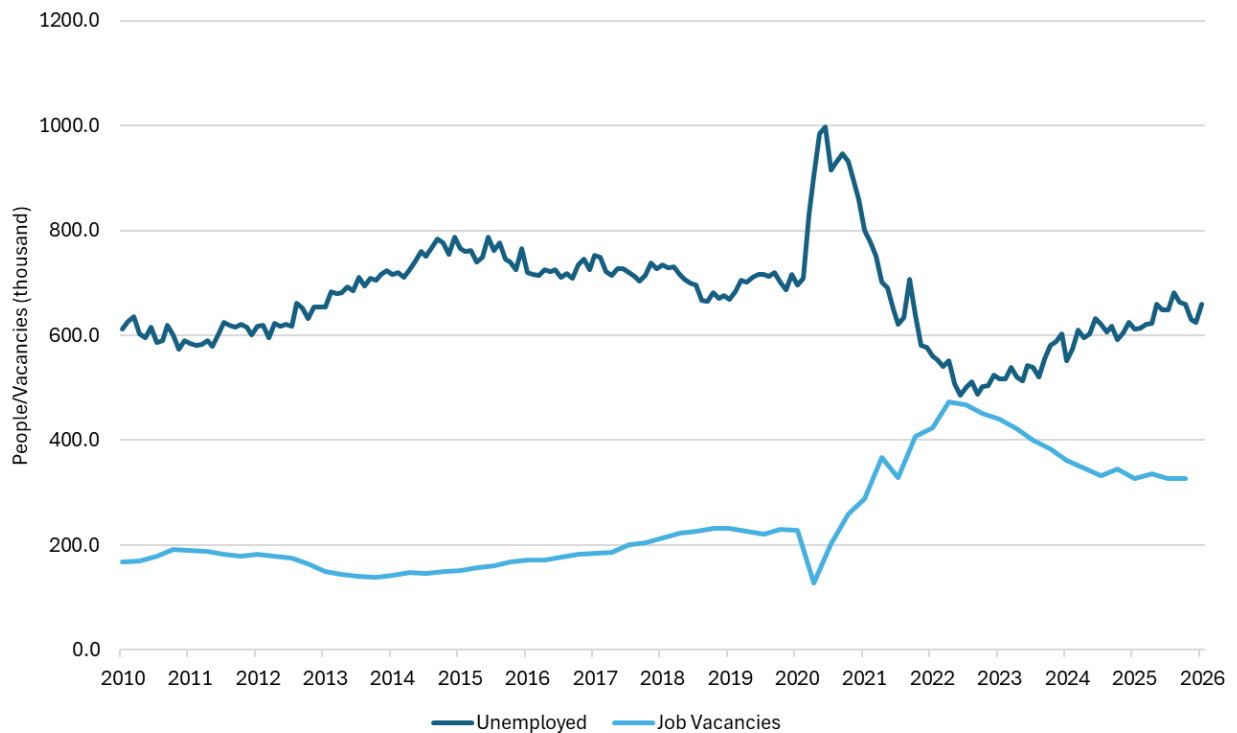
³⁹ [Job Vacancies, Australia, November 2025 | Australian Bureau of Statistics](#)

⁴⁰ [Job Vacancies, Australia, November 2025 | Australian Bureau of Statistics](#)

⁴¹ [Job Vacancies, Australia, November 2025 | Australian Bureau of Statistics](#)

large award wage increase risk being out of step with the direction of labour demand and business capacity.⁴²

Figure 9: Job Vacancies



Source: ABS, Job Vacancies, November 2025

78. Hiring in non-market sectors is tightening conditions in the broader labour market. The RBA has noted that much of the strength in the labour market has been underpinned by strong employment growth in the non-market sector, which is leading to labour shortages in the market sector, as both compete for labour.
79. Workforce shortages in skilled occupations require supply-side reforms, not outsized wage adjustments. Government reform priorities should emphasise lifting effective labour supply and mobility, particularly through occupational licensing reforms to support a single national market for workers and improved skills recognition. These measures address constraints directly and reduce frictions in allocating labour across sectors.

⁴² [Job Vacancies, Australia, November 2025 | Australian Bureau of Statistics](#)

Wages

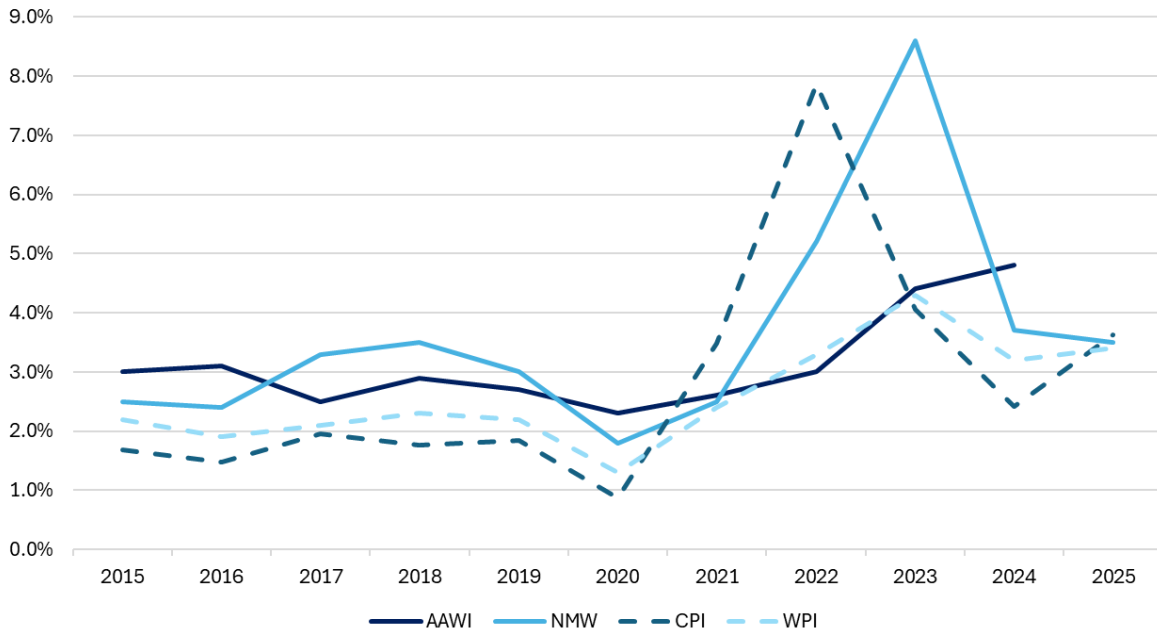
80. Wage growth remains firm and has edged up on the year. The ABS Wage Price Index shows wages rose 0.8 per cent in the December quarter 2025 (seasonally adjusted) and 3.4 per cent through the year, up from 3.3 per cent in September 2025.⁴³
81. Over the year to December quarter 2025, the ABS reports public-sector WPI growth of 4 per cent (seasonally adjusted) versus private-sector growth of 3.4 per cent, indicating ongoing wage momentum in government-funded/non-market activity that has been tightening broader labour conditions.⁴⁴
82. Wage changes are more widespread, even if the average change is slightly smaller. A higher proportion of jobs recorded a wage change in the December quarter 2025 compared with the same period in 2024 (21 per cent vs 16 per cent), while the average hourly wage change for jobs that changed was marginally lower (3.5 per cent vs 3.6 per cent). This points to broadly based wage adjustments across the economy.⁴⁵
83. As shown in Chart 10, minimum and modern award wages have grown strongly in recent years, at a pace notably higher than inflation (CPI). At times there is a lag between a surge in inflation and the wage adjustment, due to the Annual Wage Review process, with adjustments to minimum and award wages only occurring once a year. However, overall, since 2021, comparing annual average CPI to the annual minimum and modern award wages increase, minimum wage earners have experienced a real wage increase of 2 per cent and modern award wage earners a 1.5 per cent decrease in real wages over the past five years.
84. This contrasts with the experience of other wage earners, with a comparison between quarterly CPI and the WPI showing average employees experiencing a 5 per cent decrease in real wages over the same period. It appears the wage outcome for employees not covered by the NMW and modern awards appear to much more accurately reflect the broader economic situation of flatlining productivity and GDP per capita negative over the past two years (i.e. the wealth of individuals declining).

⁴³ [Wage Price Index, Australia, December 2025 | Australian Bureau of Statistics](#)

⁴⁴ [Wage Price Index, Australia, December 2025 | Australian Bureau of Statistics](#)

⁴⁵ [Wage Price Index, Australia, December 2025 | Australian Bureau of Statistics](#)

Figure 10: Comparison of Consumer Price Index, Wage Price Index, Award Minimum Wage and Average Annualised Wage Increase (AAWI)



Source: Table 5.1: Measures of nominal wage growth, Fair Work Commission AWR 2025-26 statistical report, Consumer Price Index, ABS.

Employee Earnings and Hours

85. Median weekly earnings are at a level consistent with ongoing wage momentum. In May 2025, ABS Employee Earnings and Hours (EEH) data reported median weekly earnings of \$1,436 per week for all employees (with \$1,674 per week for males and \$1,250 per week for females). The minimum wage of \$948 per week compares favourably at two thirds (66 per cent) of the median wage.⁴⁶
86. Gender composition and part-time work patterns are central to the lower-earnings cohort, suggesting caution about wage decisions that amplify cost pressures without addressing hours worked or participation constraints. ABS data shows 52.1 per cent of employees are identified as female, with female part-time employees (3.76 million; 28.6 per cent) accounting for a substantially larger group than part-time males (1.68 million; 12.7 per cent). It should be noted that the average weekly total cash earnings for part-time females (\$882.10) are greater than that of part-time males (\$852.50). This supports the view that living standards are highly dependent on hours worked and workforce attachment, not the magnitude of mandated wages.⁴⁷
87. Pay-setting arrangements are diverse, with a substantial share of employees set outside awards. The data shows individual arrangements are the most common method of setting pay (38.5 per cent), followed by collective agreements (34.6 per cent) and awards (22.7 per cent). However, many collective agreements use award rates as a base for negotiation and often annual adjustments are linked to the change in minimum and award rates. Therefore, changes to modern award rates have

⁴⁶ [Employee Earnings and Hours, Australia, May 2025 | Australian Bureau of Statistics](#)

⁴⁷ [Employee Earnings and Hours, Australia, May 2025 | Australian Bureau of Statistics](#)

an outsized influence over wages growth, that is to say that they are relevant to more than the 22.7 per cent of employees to whom they directly apply. This supports the ACCI position that the Expert Panel apply a calibrated award outcome that avoids compounding cost pressures.⁴⁸

88. Chart 9.3 of the FWC statistical reports shows that award wages have “caught up” faster in real terms than other pay-setting methods over the recent period. The Award real WPI index rises from 97.8 (December-2022) to 100 (December-2025), while Enterprise Agreements move from 98.2 to 100 and Individual Arrangements move from 100.1 to 100 over the same window. This indicates that when the award/minimum wages are moving at a faster rate than broader wages growth, which is compressing relativities against collective bargaining and individual agreement wage outcomes.
89. Working arrangements reinforce that earnings outcomes are shaped by hours and employment type, not wages alone. The ABS Working arrangements data shows that in August 2025 there were 2.4 million casual employees (around 19 per cent of all employees).⁴⁹
90. The data reports that 36 per cent of employed people usually worked from home, and 30 per cent of employees had an agreement to work flexible hours.⁵⁰
91. Flexibility is now a mainstream feature of the labour market that can benefit both the employer and the employee. A calibrated wage outcome that supports and maintains workplace flexibility must be an important consideration of the AWR.

Effect of minimum wages increases

92. In the AWR 2025 decision, the Expert Panel reiterated that the direct economy-wide impact of the AWR is limited because award-reliant employees make up a relatively small share of the national wage bill, even though modern awards cover a sizeable share of employees.⁵¹
93. However, this overlooks the fact that award rates operate as a key reference point for broader wage setting, with EBAs commonly using award rates as a base for wage negotiations and specifying annual increases relative to the increase in award rate. Therefore, increases to award rates typically flow through to collective agreements, creating wider spillovers effects on broader wages growth.
94. The modern award-reliant workforce is more likely to be employed by a small business, with small businesses also more likely to be financially constrained. Small businesses often operate with tight cashflow and limited cash reserves reducing their capacity to absorb large administrative wage increases without impacts on their competitiveness.
95. Overall, wage growth remains firm and broad-based. The ABS Wage Price Index rose 0.8 per cent in the quarter and 3.4 per cent through the year to December 2025 (seasonally adjusted), with

⁴⁸ [Employee Earnings and Hours, Australia, May 2025 | Australian Bureau of Statistics](#)

⁴⁹ [Working arrangements, August 2025 | Australian Bureau of Statistics](#)

⁵⁰ [Working arrangements, August 2025 | Australian Bureau of Statistics](#)

⁵¹ [The Annual Wage Review Decision 2025](#)

public-sector wages rising 4.0 per cent through the year versus 3.4 per cent in the private sector. This is evidence of continuing wage momentum, particularly government-funded/non-market activity. At the same time, the ABS national accounts show wages and salaries rose 6.1 per cent through the year to December 2025, indicating strong aggregate employee compensation growth.

96. Productivity remains the binding constraint on “sustainable” wage growth. The ABS national accounts shows that GDP per hour worked rose 1.0 per cent through the year to December 2025, but no growth (zero) in the quarter.
97. To be sustainable, wages growth must be linked to productivity improvements. The RBA Governor has explicitly connected capacity constraints to weak productivity, noting that “*years of weak to no productivity growth is a big part of the story.*”⁵²
98. A further large award increase risks entrenching cost pressures in the most award-reliant industries without being matched by productivity gains, given
 - (i) Award-linked decisions are already lifting wage outcomes across the broader economy
 - (ii) Labour demand is easing in the private sector
 - (iii) Productivity remains weak relative to the sustainability benchmark.
99. The Expert Panel should weigh the cumulative impact of previous wage increases and maintain a cautious, sustainable wage path. The combination of strong measured growth in compensation of employees (national accounts), firm WPI outcomes, and persisting producer-price pressures, alongside the RBA’s explicit productivity condition for inflation-consistent wage growth, supports a measured adjustment that does not add unnecessarily to cost burdens for award-reliant employers, particularly where demand and vacancies are cooling.

Transitional role of the minimum wages

100. Minimum wages are typically an entry point into the workforce for young and less skilled employees, enabling them to gain experience and transition to higher paid employment. The FWC research report Labour mobility of award-reliant employees (prepared for the Annual Wage Review 2026) explicitly examines how often award-reliant employees change jobs and what happens when they do, including whether they remain award-reliant and whether they change occupation.⁵³ This evidence base supports the Panel treating minimum and award wages as a stepping-stone that facilitates entry to work and progression, particularly for younger and less-experienced workers.
101. The Panel should focus on mobility and progression outcomes when calibrating the size of any increase. The FWC research on Labour Mobility of Award-reliant Employees tested whether award-reliant work is transitional (with movement to non-award jobs and/or different occupations) and

⁵² [Media conference: Monetary Policy Decision – 3 February 2026 | Speeches | RBA](#)

⁵³ Strong J & van Netten J (2026), Labour mobility of award-reliant employees, Fair Work Commission Research Report 1/2026, February.

how that mobility differs by individual and job characteristics.⁵⁴ The research shows that the wage-setting task is not only about the level of the safety net today, but also about ensuring settings do not unintentionally reduce pathways into work or progression opportunities (e.g., reduced entry hiring, fewer “first job” opportunities, or fewer hours for junior/low-tenure workers).

102. Skills and mobility reforms are the durable pathway to “moving up the wage ladder”. The labour mobility lens reinforces that sustainable wage progression depends heavily on workers being able to move to higher value roles and sectors. Consistent with the way the research frames the evidence (mobility by characteristics and occupation change), wage-setting should be complemented, where relevant in policy submissions, by measures that improve training, skill recognition and occupational mobility, rather than over-relying on large award adjustments to achieve income mobility.
103. The ABS job mobility data shows that a large share of the workforce has relatively short job tenure, reinforcing the transitional nature of many jobs. In February 2025, the data reports that 57 per cent of employed people had been in their current job for less than five years, including 17 per cent who had been in their job for less than one year. This transition is especially common for younger workforce, the data shows that 12 per cent of people aged 15–24 changed jobs in the year to February 2025, indicating high mobility for early-career workers.⁵⁵
104. For award reliant employees, the Labour Mobility of Award-reliant Employees report shows, over the decade (2014-2023) reviewed, almost 57 per cent of employees were never paid an award wage. A further almost 18 per cent had been paid an award wage for less than 25 per cent (up to 2.5 years) during the decade. Less than 15 per cent of employees had been paid an award wage for more than half the decade (up to 5 years).⁵⁶
105. Unfortunately, this section of the report does not provide a clear indication of how long employees are award reliant. This research does not align with the ABS labour mobility data or an earlier research report prepared for the Annual Wage Review by Wilkins and Zilio (2020). This earlier research identified that 39.1 per cent of workers joining the workforce on the minimum wage move to higher paid employment within one year, 56.8 per cent move after 2 years and 80 per cent moved by 5 years, demonstrating award wages were transitional to other methods of wage setting.⁵⁷ These issues were raised by ACCI in early consultation on the draft report, but were not addressed in the final report.
106. The data also reports that 2.4 million people (over 16 per cent of employees) started in their current job in the year to February 2025, including 1.3 million (over 8 per cent) who entered or re-entered employment without working during the previous 12 months. This illustrates that new entry and re-entry into employment remains significant.⁵⁸
107. Given the FWC research focus on job switching and outcomes for award-reliant employees, ACCI submits that the Expert Panel should set minimum and modern award wages at a level that supports fairness and adequacy while also preserving the transitional function of award-reliant work, i.e.,

⁵⁴ Strong J & van Netten J (2026), Labour mobility of award-reliant employees, Fair Work Commission Research Report 1/2026, February.

⁵⁵ [Job mobility, February 2025 | Australian Bureau of Statistics](#)

⁵⁶ [Job mobility, February 2025 | Australian Bureau of Statistics](#)

⁵⁷ Wilkins R. and Zilio F. (2020), Prevalence and Persistence of Low-Paid Award-Reliant Employment Fair Work Commission Research Report 1/2020, February. p.35

⁵⁸ [Job mobility, February 2025 | Australian Bureau of Statistics](#)

ensuring wage-setting does not unintentionally narrow entry opportunities for less-experienced workers or weaken the incentive/ability to progress through occupational mobility.

C12 and C13 classification rates

108. In the 2025 Annual Wage Review decision the Expert Panel indicated that it was considering “*phasing out the C13 rate over time such that the C12 rate becomes the lowest pay rate applicable to ongoing employment in the modern award system.*”⁵⁹ ACCI is greatly concerned at the impact this would have in narrowing the base of the modern award system and wages more broadly.
109. Currently less than 1.2 per cent of employees receive the minimum wage (approx. 180,000 employees). While the number of employees paid at or below the C12 rate has not been quantified, given the research report identifies that 155 modern awards would be affected by the change, this would result in a quantum leap in the number of employees receiving the minimum wage.⁶⁰
110. The minimum wage should be applied to the smallest cohort of employees possible. Substantially expanding the minimum wage cohort through structural re-benchmarking would compress award relativities and narrow the spread of wages, weakening returns to skill and experience and increasing pressure for flow-on adjustments above the new floor. It also risks reduced entry-level job opportunities, as employers substitute away from the lowest-skilled workers when the wage floor becomes more binding.
111. The FWC’s audit of the C12 and C13 classifications shows that half of all classifications between C12 and C13 are tightly clustered, sitting just below C12. Therefore, a shift to C12 would mechanically lift wages across a wide range of awards well beyond inflation or productivity considerations.⁶¹
112. The distribution of rates demonstrates that many awards have already gravitated close to C12 without regulatory compulsion. Around 50 per cent of the identified classifications between C12 and C13 are within 1 per cent of C12, indicating that award structures have naturally adjusted without the need for a mandated re-benchmarking.⁶²
113. A forced elevation of the minimum classification to C12 risks compressing award relativities. While the background paper suggests it would lead to limited distortion, lifting the floor would narrow differentials between entry-level and higher classifications, increasing pressure for flow-on claims and undermining the internal logic of award structures.
114. The FWC has already delivered substantial increases to the lowest paid since 2023. The re-alignment of the NMW from C14 to C13 in 2023 also materially lifted minimum award wages, with some classifications only transitioning to C13 as recently as April 2025.
115. Evidence does not support the need for an additional structural increase on ‘real wage catch-up’ grounds. Following the 2025 decision, the NMW now exceeds cumulative CPI growth since 2021 by

⁵⁹ *Annual Wage Review 2025* (2025) 341 IR 1 at [149].

⁶⁰ Kuzyk A., Hayler N., Rozenbes D. and Wray T. (2026), *C12 and C13 classification rates in modern awards*. Fair Work Commission Background Paper 2026, February.

⁶¹ Kuzyk A., Hayler N., Rozenbes D. and Wray T. (2026), *C12 and C13 classification rates in modern awards*. Fair Work Commission Background Paper 2026, February

⁶² [C12 and C13 classification rates in modern awards](#)

2 per cent, and the remaining gap for C10 is narrow, indicating that broad-based real wage erosion has largely been addressed at the bottom of the award system.

116. Minimum wage reliance is concentrated in sectors already under acute cost pressure, in accommodation and food services, administrative support, cleaning, horticulture and similar industries where margins are thin and capacity to absorb further mandated increases is limited. These industries will be further pressured by surging fuel and freight costs, rising inflation and increasing interest rates.
117. Very weak productivity growth over the past 15 years materially constrains the sustainability of further real wage increases. Lifting the award floor without corresponding productivity gains risks embedding higher unit labour costs and adding to domestically driven inflation.
118. The statutory focus on a 'fair and relevant' safety net does not require eliminating C13 in 2026. The Expert Panel has previously acknowledged that phasing out C13, if pursued at all, would need to occur gradually and with regard to recent award changes, conditions that are not satisfied in the context of the current Review.
119. Minimum wages are intended to function as a transitional safety net, not a permanent destination. The FWC's own research agenda emphasises labour mobility and progression, and a large increase at the entry level risks reducing hiring opportunities and weakening employment pathways for lower-skilled and less-experienced workers.
120. A uniform structural increase would have limited impact on household living standards but material employment risks. Changes to C12/C13 rates affect a narrow cohort, while broader income adequacy is more effectively addressed through the tax-transfer system rather than further ratcheting award floors.
121. ACCI argues strongly against any change in the base of the minimum wage to the C12 rate. If the Expert Panel wishes to pursue this outcome, given the current very uncertain economic environment due to the hostilities in Iran with the resultant surge in fuel and freight costs, rising inflation and increasing interest rates, any consideration of C12/C13 rate changes should be deferred. The 2026 AWR should focus on a measured, economy-wide adjustment consistent with inflation, productivity and business viability, rather than embedding a permanent structural change to the award wage architecture.

Living Standards on the needs of low paid

Low Income Households

122. ACCI maintains that minimum wage fixation is not an effective way of addressing the needs of lower income households. The tax and transfer system are better targeted to address the actual circumstances of lower income households and is a superior means to provide necessary support, as is recognised by our transfers system.

123. Household living standards are best assessed on disposable household resources (after tax and transfers), not wage rates alone. HILDA measures real household annual disposable income as household income after government pensions/benefits and after income tax, adjusted to December 2023 prices. This data underscores that household circumstances (including transfers) are central to living standards.⁶³
124. The tax-transfer system is a more direct/effective lever for to support low income households. In the financial year 2022-23, 25.1 per cent of people aged 18–64 lived in a household that received income support at some stage of the year (down from 31.9 per cent in 2020 and 38.8 per cent in 2001). Benefit reliance (>*50 per cent of household income from benefits, conditional on receiving income support) is disproportionately associated with single-parent families (still highest, though down to 24.6 per cent in 2023, an all-time low), while couples have much lower rates (e.g., couples with dependent children fell to 2.9 per cent in 2023). Over 2014–2023, 55.6 per cent of working-age people had household contact with income support at some stage, but the majority had no or only temporary contact (e.g., 75.0 per cent of men and 69.4 per cent of women had contact in three or fewer years).
125. It cannot be assumed that lower-paid employees necessarily belong to lower-income households. Research by the Productivity Commission, based on HILDA data, shows that around 93 per cent of people moved across at least three different income deciles during their working lives between 2001 and 2022.⁶⁴ There was significant income mobility, with fewer than 1 per cent remaining in the same income decile throughout their careers. Many workers experience wage progression over time as they gain skills, knowledge, and experience, highlighting that low wages at a single point in time do not necessarily indicate long-term financial disadvantage.
126. Research by Wilkins and Zilio (2010) further reinforces these findings. In 2018, 14.2 per cent of employees were classified as low-paid, and 16.2 per cent were award-reliant. However, only 5.9 per cent of workers were both low-paid and award-reliant, representing a 21 per cent decline from 7.5 per cent in 2009. This trend indicates that living standards have improved over time and that reliance on minimum wages alone is not the sole determinant of financial stability.
127. The AIHW data shows strong growth in nominal household incomes since 2022 (the fastest in 15 years), with median nominal equivalised household disposable income at \$1,464 per week in December 2024. Since 2021, annual growth in household income lifted 7.4 per cent between 2021 and 2022, 5.4 per cent between 2022 and 2023 and 6.6 per cent between 2023 and 2024.⁶⁵
128. The data also shows that median real household income increased by 3.2 per cent in 2024 (from \$1,418 in 2023 to \$1,464 in 2024) and has returned to similar levels as in 2021 (\$1,455) following two years of declines. This suggests household incomes have normalised, reducing the case for a large, additional “catch-up” increase through minimum and award wages.

⁶³ [The 20th Annual Statistical Report of the HILDA Survey](#)

⁶⁴ Productivity Commission 2024, *Fairly Equal? Economic Mobility in Australia*.
<https://assets.pc.gov.au/research/completed/fairly-equal-mobility/fairly-equal-mobility.pdf>

⁶⁵ [Income and income inequality - Australian Institute of Health and Welfare](#)

129. The data indicates that the decline in real household income for middle- and higher-income households from 2021 to 2023 was linked to higher mortgage costs, while the lowest income quintile did not experience the 2021–2023 declines and recorded growth over the period as well. This pattern reinforces that a large, uniform increase in the NMW is not required to address living standards pressures.
130. Their research also found that low paid award-reliant employees are more likely to be part-time (58 per cent) and/or in casual employment (66.5 per cent), more likely to be younger employees (29 per cent between 20-25 years, and 60 per cent between 20-35 years). This suggests they are more likely to be less experienced workers, beginning their careers and developing important skills. They are also likely to be in a couple (58.5 per cent) or dependent students/non-dependent children (19.9 per cent) still living with their parents. Almost 60 per cent of low-paid award-reliant employees in couple households are secondary earners, and a high proportion receive Government welfare benefits (25 per cent) that supplement their lower incomes.
131. Even if the Commission determines that an increase in minimum and modern award wages above 3.5 per cent is necessary for low-paid workers, such a decision carries the risk of triggering disemployment effects. The Productivity Commission highlights that “People do not always choose to pursue higher incomes even if they have the opportunity to do so. Instead, the level of income they earn can be influenced by their preferences for certain jobs, time spent on leisure and motivation to earn higher incomes”.⁶⁶
132. There is no clear explanation given or research referenced, as to why two-thirds of median earnings is any more representative of the low-paid than any other number. Just because some contributors to the Annual Wage Review use the two-thirds median earning in the campaign to seek increases to the national and modern award wages does not make it a valid assumption to benchmark decisions for the Annual Wage Review.
133. In determining an increase in minimum and modern award wages for this Review, it is important the Expert Panel realise changes to award and minimum wages will have only a very limited impact on household disposable income and poverty levels in Australia.

Household Disposable Income

134. The FWC modelling shows that over the year to July 2025, households reliant on the minimum wage experienced an increase in household disposable income of around 3.2 per cent that exceeded CPI by around 1.1 percentage points.⁶⁷
135. Measured against a commonly used poverty benchmark (60 per cent of median income), disposable income at the NMW has improved materially relative to 2020 and 2024 for most full-time household types. The FWC modelling indicates that NMW disposable income ratios are above the poverty-line benchmark for full-time households, while part-time households with children and single earner couples, with and without children, remain the most likely to sit below the benchmark. This highlights

⁶⁶ Productivity Commission 2024, *Fairly Equal? Economic Mobility in Australia*.
<https://assets.pc.gov.au/research/completed/fairly-equal-mobility/fairly-equal-mobility.pdf>

⁶⁷ [Statistical report - Annual Wage Review 2026 - version 1](#)

that hours worked and household composition are decisive in living-standards outcomes.⁶⁸ It should be noted that these are a small proportion of low-income household types and the welfare system is better placed to assist these household types than the blunt instrument of an uprating of minimum and award wages.

136. In reaching a decision for the 2025-26 AWR, the Panel should recognise that the FWC's modelling of NMW-reliant households shows that the disposable income outcomes are materially shaped by the tax-transfer system and household composition, such that changes to minimum and award wages do not translate uniformly into household disposable income or poverty outcomes. The modelling indicates that, while nominal disposable income rose across the selected household types over the year to July 2025, the extent of the gain retained in disposable income varies significantly once taxes and transfer interactions are taken into account—particularly for household types receiving income support, where payment withdrawal can substantially offset the gross wage increase. Therefore, an uprating of minimum and modern award wages is not the appropriate mechanism to compensate for changes in household transfer payments.

137. Accordingly, the most effective means of improving the circumstances of households with low disposable income are:

- a) the tax and transfer systems; and
- b) balanced decisions that support job creation and workforce participation.

Budget Standards

138. The December 2025 update to the Budget Standards reflects CPI movements from the September 2022 quarter to the December 2025 quarter and results in material uplifts to the estimated weekly budgets across all household types reported.⁶⁹

139. ACCI maintains the position, as highlighted through previous submissions, that overall, the Budget Standards remain heavily weighted to the high side, representing the budget requirements of households at the upper end of the distribution rather than the typical spending patterns of minimum wage earners.

140. The updated Budget Standards continue to overstate household needs due to several methodological choices that inflate the implied minimum income requirements for low-paid employees.

- a) The updated estimates show sizeable increases across a broad range of categories, including areas that are not strictly “essential” and that can vary widely by household preferences and circumstances. Table 8.7 shows the update lifts weekly “discretionary” allowances across all household types (for example, for a single full-time worker from \$89 to \$100 per week, and for a single-earner couple from \$156 to \$175 per week), alongside increases in other non-housing categories. This continues to raise concerns about the extent to which the Budget Standards’

⁶⁸ [Statistical report - Annual Wage Review 2026 - version 1](#)

⁶⁹ [Statistical report - Annual Wage Review 2026 - version 1](#)

assumed consumption bundle reflects minimum requirements, as opposed to higher-end or less typical spending assumptions.⁷⁰

- b) The housing allowance remains a major driver of the overall budget requirement and is highly sensitive to the rental benchmark and location assumptions. Table 8.7 shows housing costs rising sharply across household types (for example, for a single full-time worker from \$426 to \$493 per week, and for a single-earner couple from \$461 to \$533 per week), contributing materially to the increase in total weekly budgets. Consistent with ACCI's previous concerns, this reinforces that the Budget Standards' headline results can be significantly influenced by housing assumptions rather than being a stable, representative measure of minimum household needs across jurisdictions and living arrangements.⁷¹

141. ACCI maintains that budget standards cannot in themselves be determinative of the minimum wage or an uprating of minimum award rates.

142. The updated estimates show that CPI movements since September 2022 have not been uniform across categories, with larger changes in areas such as education and housing than in other components. Table 8.7 indicates that these category-level movements flow through into materially higher total weekly budget requirements across household types (for example, the single full-time budget rising from \$891 to \$1,000 per week, and family budgets rising to between \$1,477 and \$1,822 per week depending on household type). As a result, the Budget Standards remain highly sensitive to the underlying assumptions adopted in the model and the way category increases are translated into budget "requirements".

143. These findings indicate that while cost-of-living pressures remain a concern, Budget Standards estimates should be interpreted with caution and considered alongside broader evidence on household disposable income and labour market outcomes, rather than being treated as a definitive measure of minimum wage adequacy.

⁷⁰ [Statistical report - Annual Wage Review 2026 - version 1](#)

⁷¹ [Statistical report - Annual Wage Review 2026 - version 1](#)

Social Considerations

Secure Work

144. Under section 134(1) of the Fair Work Act 2009, the Panel is required to take into account considerations under the modern awards objective. Relevantly, paragraph (aa) of the modern awards objective provides that the Commission must ensure that “modern awards, together with the National Employment Standards (NES), provide a fair and relevant minimum safety net of terms and conditions, taking into account the need to improve access to secure work across the economy”:⁷²
145. The Full Bench in [2025] FWCFB 3500 adopted its previous analysis of the impact of the AWR on job security in [2023] FWCFB 3500 and [2024] FWCFB 3500, observing that the need to improve access to secure work across the economy:
‘only has relevance to this Review insofar as the Review outcome might affect the capacity of employers to offer permanent (as distinct from casual) employment. The Review will not otherwise affect the legal incidents of employment which might otherwise enhance or detract from security of employment.’
146. ACCI continues to oppose the categorisation of casual employment as work that is not secure, on the basis that many casual employees prefer the flexibility and higher hourly rates.⁷³
147. ACCI would therefore suggest that the Expert Panel ought to consider the impact of the AWR decision on employers’ ability to offer both permanent and casual work, and in fact their ability to improve access to both permanent and casual work.
148. It is useful to note that the concept of job security and the updated objects were discussed by the Panel in [2023] FWCFB 3500 where the Expert Panel also gave weight to an employee’s choice to enter into secure work is also a consideration.⁷⁴
149. The effect of general economic circumstances upon the capacity of employers to employ, or continue to employ, workers, is clearly relevant to whether an employee has a choice to enter into secure work. If economic circumstances are such that the employer cannot offer employees work, then the employee will be deprived of this choice.
150. It is through this lens that the Panel should investigate the significance of the increase it deems required to the minimum wage. It has been thoroughly canvassed earlier in this submission that substantial increases to labour costs have disemployment outcomes.
151. In considering the capacity of employers in the future to continue to offer or maintain employment, i.e. the sustainability of employing businesses, ACCI urges the Commission to give due consideration to small business employers, the special circumstances of which the Commission must consider in accordance with the objects of the Act, as well as employers that are particularly sensitive to wage cost pressures, for example, those subject to contracts without rise and fall clauses. This is of particular concern in the current state of global instability. An unsustainable wage increase puts these employers in a position where they must absorb significant cost increases or may be unable to support apprentices, which would be detrimental, particularly in industries with growing

⁷² Fair Work Act 2009, section 134(1)(aa).

⁷³ ABS Working Arrangements, 12 December 2025, [Working arrangements, August 2025 | Australian Bureau of Statistics](#).

⁷⁴ Annual Wage Review Decision 2022-23 [2023] FWCFB 3500 [28] - [30].

skills shortages. Further, given the current global context, it is critical that the Expert Panel's decision allows and supports businesses to continue to employ workers.

152. To that end, the Panel should avoid an increase to the minimum and modern award minimum wages which may deprive employees of a choice to enter into forms of work like casual, fixed term etc employment, or to continue their employment. Hence the Panel must take into account the economic impact on the employer, and relatedly, the capacity for that employer to offer work as effectuated by increases to the minimum or modern awards minimum wages, taking into particular account the unstable global context.

Gender Equality

153. ACCI firmly supports measures which seek to close the gender pay gap and advance women's economic equality. However, increases to the minimum wage and modern award wages are incapable of having any material impact on the gender pay gap or women's economic equality more broadly.

154. In the establishment and maintenance of a safety net of fair minimum wages, the Panel must take into account:

“the need to achieve gender equality, including by ensuring equal remuneration for work of equal or comparable value, eliminating gender-based undervaluation of work and addressing gender pay gaps;”

155. In ensuring that modern awards provide a fair and relevant minimum safety net of terms and conditions, the Panel must take into account:

“the need to achieve gender equality in the workplace by ensuring equal remuneration for work of equal or comparable value, eliminating gender-based undervaluation of work and providing workplace conditions that facilitate women's full economic participation;”

156. It should be noted at the outset, that in the [2023] FWCFB 3500 decision the Commission observed that the capacity of increases to the national minimum wage and modern award minimum wage rates to narrow the gender pay gap is very limited.⁷⁵ The Commission adopted this analysis in the [2024] FWCFB 3500 and [2025] FWCFB 3500 decisions.⁷⁶ ACCI agrees with this sentiment.

157. The Expert Panel stated in the [2025] FWCFB decision that due to the predominance of women in the modern-award reliant workforce, *“an adjustment to modern award minimum wages which exceeds wages growth in the labour market as a whole will have an effect, albeit small, in narrowing the aggregate gender pay gap.* ACCI notes that currently, the FWC is engaged in gender undervaluation proceedings resulting out of the AWR 2023-24 decision, and notes that these proceedings will have a more material impact on gender equality than a determination of the NMW.

158. Finally, as discussed above, large increases to labour costs, such as wages, have disemployment effects and therefore could potentially undermine the consideration of facilitating “women's full economic participation” as outlined in section 134(1)(ab) of the FW Act. Naturally then, considering the fact that women are disproportionately award-reliant, as the research clearly demonstrates, significant increases to the minimum wage and modern award wage rates, will have

⁷⁵ [2023] FWCFB 3500 [118].

⁷⁶ [2024] FWCFB 3500 [6]; and [2025] FWCFB 3500 [60].

disproportionate unemployment impacts on women and should be avoided. This is a key consideration, particularly in the context of the current global instability.

159. Hence, any increase to the NMW above the 3.5 per cent which ACCI has proposed due to a pursuit of gender equality should not be accepted by the Panel.

Social Inclusion

160. Social inclusion through workforce participation is deeply important to a thriving economy. A thriving economy is inextricably tied to the welfare of businesses more broadly. The Expert Panel is required to take into account “*the need to promote social inclusion through increased workforce participation*” in the setting of minimum and modern award wages.⁷⁷

161. As the Commission has held previously, the use of the conjunctive “through” clarifies that social inclusion is a concept to be promoted exclusively “through increased workforce participation”.⁷⁸

162. ACCI therefore reiterates its submissions with respect to the unemployment effects of significant increases to labour costs such as wages. Naturally if a significant increase to the minimum wage and the associated modern award wage rates is implemented and then has a unemployment effect, it cannot promote social inclusion through increased workforce participation. Again, the current global context reiterates the importance of a sensible and sustainable increase to the NMW.

Junior, Trainee and Disabled Employees

163. Work is one of the fundamental dignities in life and should be available to all persons in order to earn a living and experience the social inclusion that workforce participation allows for. To that end the minimum wages objective clearly outlines that the Expert Panel is required to take into account the need to provide “*a comprehensive range of fair minimum wages to junior employees, employees to whom training arrangements apply and employees with a disability*”.⁷⁹

164. ACCI submits, consistent with previous submissions, that any changes made to modern award wages in this Review should flow through to junior rates of pay in modern awards (i.e. proportionately), employees to whom training arrangements apply, employees with a disability and piece rates.⁸⁰

⁷⁷ Fair Work Act 2009, section 134(1)(c).

⁷⁸ [2018] FWCFB 5753 at [72].

⁷⁹ Fair Work Act 2009, section 284(1)(e).

⁸⁰ See ACCI submission to [2022] FWCFB 3500 at [288].

Collective Bargaining

The need to encourage collective bargaining

165. In setting minimum and modern award wages, the Panel is required to take into account “*the need to encourage collective bargaining*”.⁸¹ In prior decisions, the Panel has determined that it “*cannot be satisfied that the increase ... determined will encourage collective bargaining*”.⁸²

166. In the [2023] FWCFB 3500 decision the Panel stated the following:⁸³

“We have no sound basis to consider that, within a reasonable range, any increase we order to the NMW, and modern award minimum wage rates will either encourage or discourage enterprise bargaining. Accordingly, this is not a matter to which we give any significant weight in reaching our decision in this Review.”

167. The Full Bench adopted this analysis in the [2024] FWCFB 3500 and the [2025] FWCFB 3500 decisions.⁸⁴

168. ACCI concurs that this particular consideration is not one that should be given any significant weight by the Commission in its conducting of the AWR.

169. However, it should be noted that ACCI does believe that significant increases to the minimum wage may serve to neutralise the desire to enter into enterprise-level collective bargaining on the part of employees. ACCI has canvassed the impacts of modern award wages on collective bargaining at paragraphs [87] - [88].

170. ACCI notes that the Commission gave little weight to this assertion in the [2024] FWCFB 3500 and [2025] FWCFB 3500 decisions, however, ACCI submits that the consideration of the Commission is to the encouragement of collective bargaining. This ought to include consideration of the willingness of employers and employees to bargain, rather than simply an assessment of the number of agreements in place. ACCI does acknowledge that the Commission duly noted that the number of agreements cannot be causally linked to the setting of the minimum wage, and a recent increase is more likely related to recent legislative changes.⁸⁵

171. ACCI also notes that these legislative changes have made it easier for unions to commence bargaining, which does not in and of itself represent an encouragement of employers and employees to bargain, it merely commences it. Assessing encouragement will become more difficult to assess with the new ability of unions to unilaterally commence bargaining within 5 years of an expired agreement, without having to demonstrate any support from the relevant employees.

⁸¹ Fair Work Act 2009, section 134 (1)(b).

⁸² [2023] FWCFB 3500 [155].

⁸³ [2022] FWCFB 3500 [85].

⁸⁴ [2024] FWCFB 3500 [6], [2025] FWCFB [128].

⁸⁵ *Ibid*, [139].

172. Acknowledging the limited impact the AWR has on collective bargaining, ACCI simply notes that any weight given to this consideration does not support a large increase in the NMW, and reiterates its position of a sensible increase of 3.5 per cent.

About ACCI

The Australian Chamber of Commerce and Industry represents hundreds of thousands of businesses in every state and territory and across all industries. Ranging from small and medium enterprises to the largest companies, our network employs millions of people.

ACCI strives to make Australia the best place in the world to do business – so that Australians have the jobs, living standards and opportunities to which they aspire.

We seek to create an environment in which businesspeople, employees and independent contractors can achieve their potential as part of a dynamic private sector. We encourage entrepreneurship and innovation to achieve prosperity, economic growth, and jobs.

We focus on issues that impact on business, including economics, trade, workplace relations, work health and safety, and employment, education, and training.

We advocate for Australian business in public debate and to policy decision-makers, including ministers, shadow ministers, other members of parliament, ministerial policy advisors, public servants, regulators and other national agencies. We represent Australian business in international forums.

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