STATEMENT

Fair Work Act 2009
s.285—Annual wage reviews to be conducted

Annual Wage Review 2015–16
(C2016/1)

JUSTICE ROSS, PRESIDENT
SENIOR DEPUTY PRESIDENT WATSON
DEPUTY PRESIDENT ASBURY
COMMISSIONER HAMPTON
MR COLE
PROFESSOR RICHARDSON
MR GIBBS

MELBOURNE, 31 MAY 2016

[1] The Fair Work Act 2009 (the Act) requires the Fair Work Commission’s Expert Panel to conduct and complete a review of the national minimum wage and minimum wages in modern awards in each financial year. The decision we are issuing today deals with the 2015–16 Annual Wage Review. The decision directly affects over 1.86 million employees in Australia who are reliant upon minimum rates of pay.

[2] As part of the annual wage review the Panel considers both the setting of the national minimum wage (NMW) rate and whether to make any variation determinations in respect of modern award minimum wages. Each of these tasks is undertaken by reference to the applicable statutory criteria. In setting the NMW rate the Panel must take into account the objects of the Act and the minimum wages objective in s.284. In reviewing modern award minimum wages the Panel must also take these matters into account, as well as the modern awards objective in s.134. We have taken all of these matters into account.

[3] The Panel’s decision-making process should be as transparent as possible. Accordingly, our decision identifies the most significant issues which have affected the outcome in this Review.

[4] The wide range of data and information before the Panel, and the often complex interaction between the matters we are required to take into account, means that a comparison between Reviews will rarely be straightforward.

[5] We turn first to the economic environment.
The economy has grown at close to trend, improving over the second half of 2015. Real GDP grew by 3.0 per cent over the year to the December quarter 2015, compared to 2.2 per cent over the year to the December quarter 2014.

Stronger labour market conditions over the past year are evident across all measures, apart from the fall in hours worked in early 2016. The unemployment rate fell from 6.1 per cent in April 2015 to 5.7 per cent in April 2016. As overall unemployment fell over the course of 2015 and into 2016, so too did the under-employment rate, long-term unemployment and the youth unemployment rate.

All measures of inflation and wages growth are at historically low levels.

Over the five years to 2014–15 labour productivity growth in the market sector was higher than over the previous five-year period.

Company gross operating profits grew by 2.8 per cent for non-mining industries over the year to the December quarter 2015, above the average for the past five years and greater than the 1.4 per cent growth over the year to the December quarter 2014. Mining industry profits continued to fall.

Currently, wages growth is neither a source of inflationary pressure within the economy, nor a source of declining capacity for Australian firms to compete in international markets. The outlook for the Australian economy remains generally positive. Inflation and wages growth are expected to continue to be below average levels in the coming year or so.

Economic considerations are not the only matters which the Act requires us to take into account. We are also required to take into account a range of social and other considerations. In particular, the “promotion of social inclusion through increased workforce participation”; “relative living standards and the needs of the low paid”, “the principle of equal remuneration for work of equal or comparable value”, and the “need to encourage collective bargaining”.

No particular primacy is attached to the various economic, social and other considerations we are required to take into account.

The additional evidence presented to this Review, especially from the work of the Productivity Commission, is consistent with our conclusion that the employment impacts of an increase in the NMW and award minimum wages of the size that we have determined, and in the economic circumstances that we face, will not have a measurable impact on employment.

Despite some recent improvement in the relative living standards of minimum wage reliant employees, the relative position of low-paid workers has deteriorated over the past decade. Many low-paid workers live in households with low or very low disposable incomes. Around two-thirds of low-paid employees are found within the bottom half of the distribution of employee households and have lower living standards than other employees. Some low-paid award-reliant employee households have household incomes which places them below the poverty line.
[16] Women continue to be over-represented among the award reliant and the low paid. It follows, and we accept, that increases in minimum wages can provide some assistance in addressing the gender pay gap.

[17] On the available evidence and the experience to date it is likely that the increase we have determined in this Review will impact upon the incentives to bargain in various sectors in different ways. But it will not, in aggregate, discourage collective bargaining.

[18] The general economic climate is robust, with some continued improvement in productivity and historically low levels of inflation and wages growth. The prevailing economic circumstances provide an opportunity to improve the relative living standards of the low paid and to enable them to better meet their needs. The level of increase we have decided upon will not lead to inflationary pressure and is highly unlikely to have any negative impact on employment. It will, however, mean a modest improvement in the real wages for those employees who are reliant on the NMW and modern award minimum wages.

[19] We have determined that it is appropriate to increase the NMW and the factors identified in our decision have led us to award an increase of 2.4 per cent. The national minimum wage will be $672.70 per week, or $17.70 per hour. The hourly rate has been calculated by dividing the weekly rate by 38, on the basis of the 38 hour week for a full-time employee. This constitutes an increase of $15.80 per week to the weekly rate or 41 cents per hour to the hourly rate.

[20] Having regard to the proposed NMW and the other relevant considerations, we have also decided to increase modern award minimum wages by 2.4 per cent. Weekly wages will be rounded to the nearest 10 cents.

[21] For the reasons we set out in our decision, no exceptional circumstances have been demonstrated such as to warrant a deferral of the increases we have awarded.

[22] The determinations and order giving effect to our decision will come into operation on 1 July 2016.

[23] The timetable for the 2016-17 Annual Wage Review will be announced in the third quarter of 2016.

[24] We wish to express our appreciation to the parties who participated in the Review for their contributions and to the staff of the Fair Work Commission for their assistance.

PRESIDENT

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