



# Summary of Decision

4 June 2014

## Annual Wage Review 2013–14

(C2014/1)

[2014] FWCFB 3500

[1] The *Fair Work Act 2009* (the Act) requires the Fair Work Commission’s Expert Panel to conduct and complete a review of minimum wages in modern awards and the national minimum wage in each financial year. This decision deals with the Annual Wage Review 2013–14 and directly affects over 1.5 million employees in Australia who are reliant upon award rates of pay or the national minimum wage.

[2] The Act provides that in conducting the Review, the Panel must take into account the general objects in s.3, the modern awards objective in s.134(1) and the minimum wages objective in s.284. We have taken all of these matters into account.

[3] It is appropriate in all of the circumstances that the national minimum wage and minimum wages in modern awards be increased. The economic outlook remains sound, with GDP growth expected to ease in 2014–15 before increasing to just below trend in 2015–16. Employment growth is expected to be stronger in 2014–15, and the unemployment rate is expected to increase only slightly over the forecast period. Inflation has been contained, and is anticipated to slow in the period ahead, approaching the mid-point of the RBA’s target band. However, some aspects of labour market performance are a cause for concern. This includes weak growth in hours worked, continuing high youth unemployment and a falling full-time employment to population ratio for the working age population. We note that youth unemployment, while high, is not showing signs of a structural shift from its longer-term relationship with aggregate unemployment.

[4] Wages growth is forecast to increase only moderately from current low levels. The outlook for contained inflation growth and relatively low aggregate wages growth provide scope for increasing minimum wages without inflationary consequences.

[5] The rise in labour productivity together with the low growth in wages has meant that nominal unit labour costs barely rose over the past year and real unit labour costs remained at an historically low level. In aggregate, there are no signs of cost pressures arising from the labour market. There is no evidence of unusual levels of business failure.

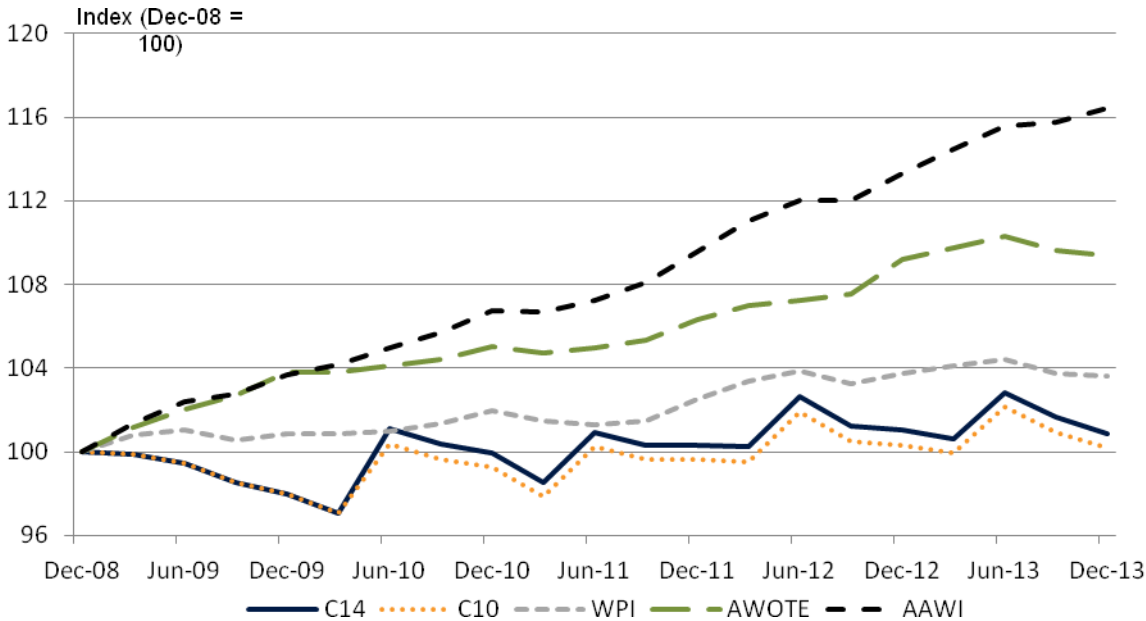
[6] The Superannuation Guarantee rate increase (SG rate increase) to apply from 1 July 2014 has been a moderating factor in our assessment of the adjustment that should be made to minimum wages. As a consequence, though it would not be appropriate to quantify its effect, the increase in modern award minimum wages and the NMW we have awarded in this Review is lower than it otherwise would have been in the absence of the SG rate increase.

[7] We have not taken into account the proposed repeal of the existing carbon price arrangements or the proposed changes to the tax-transfer system announced in the 2014–15 Budget. It has been a long-standing practice of the Commission and its predecessors to determine the matters before it on the basis of the existing legislative framework and not otherwise.

[8] Relative living standards and the needs of the low paid are among the matters we are required to take into account in the fixation of minimum wages. The Panel has considered a range of measures of living costs and price inflation. The real value of award minimum wages and the NMW would decline if an adjustment below the rate of inflation were awarded. The CPI increased by 2.9 percent over the year to the March quarter 2014. The real value of award minimum wages and the NMW is a relevant consideration for the Panel.

[9] While real earnings have generally increased over the past decade, earnings inequality is increasing. Over the past five years, the rate of growth in average earnings and bargained rates of pay have outstripped the growth in minimum wages for award-reliant workers. This has reduced the relative living standards of award-reliant workers and reduced the capacity of the low paid to meet their needs, needs being a relative concept. Chart 1.1 shows these changes.

**Chart 1.1: Change in real value of C14, C10, WPI, AWOTE and AAWI—December quarter 2008–December quarter 2013**



Source: ABS, *Average Weekly Earnings, Australia, Nov 2013*, Catalogue No. 6302.0; ABS, *Wage Price Index, Australia, Dec 2013*, Catalogue No. 6345.0; Department of Employment, *Trends in Federal Enterprise Bargaining*, December quarter 2013, <<http://employment.gov.au/trends-federal-enterprise-bargaining>>; *Metal, Engineering and Associated Industries Award 1998*; *Manufacturing and Associated Industries and Occupations Award 2010* (from 1 January 2010).

[10] We have decided that the range of considerations we are required to take into account favours the award of an increase which will result in a modest improvement in the real value of modern award minimum wages. There has been almost no growth in the real value of award rates over a period when other employees have had substantial wage increases in circumstances in which the economic environment has been sound. The deterioration in the relative living standards of award-reliant workers; the needs of the low paid; the recent widespread improvement in labour productivity growth; the historically low levels of real unit labour costs; and the absence, in aggregate, of cost pressures from the labour market are all factors favouring a real increase in minimum wages. These factors are moderated by the SG rate increase to apply from 1 July 2014 and the other considerations to which we have referred in our decision.

[11] A number of parties sought differential treatment in respect of any determination arising from this Review being applied to certain modern awards. In terms of those parties arguing exceptional circumstances the onus is on a party submitting such circumstances to justify this. We recognise that particular drought conditions and other industry circumstances and associated hardships affect a number of businesses. But, the evidence does not support a conclusion that the industry circumstances are such that would warrant the differential treatment sought. We have, however, taken these matters into account in our consideration of the economy and in the decision more generally.

[12] In relation to incapacity arguments more generally, we again draw attention to the practical difficulties which arise from the interaction of ss.157(2), 285(1) and 286 of the Act. In particular, there is no mechanism in the Act for revisiting a determination varying modern award minimum wages *after* an annual wage review has been completed. As a result of this legislative inflexibility, a small or large business; a sector; or a region facing circumstances warranting the deferral of, or exemption from, an annual wage review increase can only make such an application in the context of an annual wage review. So if the adverse circumstances arose in, for example, July, the businesses affected would have to wait until the following year (i.e. the next annual wage review) before they could seek relief. This is a matter which requires legislative amendment to provide parties with an avenue to seek relief from increases flowing from an annual wage review. Such relief could be available to an individual employer or on industry sector or geographic basis.

[13] The Panel drew attention to these issues in the 2011–12 and 2012–13 Review decisions but no legislative amendments have been made and, as a consequence, the practical difficulty created by the legislative framework remains.

[14] The increase in modern award minimum wages we have decided on is 3 per cent. Weekly wages will be rounded to the nearest 10 cents.

[15] The national minimum wage is currently set at the minimum wage for the C14 classification.<sup>1</sup> We have not been persuaded to depart from that relationship. The national minimum wage will be \$640.90 per week or \$16.87 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 \$18.70 per week to the weekly rate or 50 cents per hour to the hourly rate.

[16] The determinations and order giving effect to our decision will come into operation on 1 July 2014.

[17] The timetable for the Annual Wage Review 2014–15 will be announced in the third quarter of 2014.

[18] 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.

[\[2014\] FWCFB 3500](#)

- *This statement is not a substitute for the reasons of the Fair Work Commission nor is it to be used in any later consideration of the Commission's reasons.*

- ENDS -

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<sup>1</sup> *Manufacturing and Associated Industries and Occupations Award 2010* [MA000010]; This is the lowest level in the Manufacturing Award.