

MEMBER BRIEFING: NATIONAL MINIMUM WAGE DECISION 2022



BACKGROUND

The Fair Work Commission announced its National Minimum Wage decision yesterday, Wednesday 15 June 2022 with mixed responses across employee, employer and government groups.

In summary;

1. The Commission decision, handed down on Wednesday 15 June 2022, will increase the adult national minimum wage by 5.2%, equating to a \$40 per week increase. The new adult National Minimum Wage for full-time employees will be \$812.60 per week (38 hour working week) or \$21.38 per hour; and
2. The Commission determined to increase modern Award wages by 4.6% subject to a minimum increase for adult award classifications of \$40 per week. The \$40 per week increase is based on a 38-hour week for a full-time employee. In effect, modern award minimum wage rates above \$869.60 per week will receive a 4.6% adjustment, wage rates below \$869.60 per week will be adjusted by \$40 per week.

APPLICABLE DATE OF INCREASE

The National Minimum Wage increase, and the flow on increases to the relevant Awards that apply to our industry, will come into effect from the first full pay period that starts on or after 1 July 2022.

EXCEPTIONS

The Commission determined only the hospitality, aviation and tourism sectors continue to face exceptional economic circumstances and their industries related Awards should have a delayed commencement date of 1 October 2022.

BACKGROUND TO DECISION

In the lead up to this year's decision by the Fair Work Commission, the ACTU had been seeking a 5.5% increase, and the Australian Catholic Council for Employment Relations had sought a 6.5% increase. However, the Commission felt that in the current economic circumstances such increases would pose a real risk of significant adverse effects to the economy.

Conversely, most employer groups proposed increases to the minimum wages of between 2.5% and 3%, with some arguing that the Commission should not increase minimum wages at all. The Australian government submitted that the Commission should ensure that the real wages of law-paid workers do not go backwards.

The Commission concluded that economic factors weigh in favour of an increase to both the national minimum wage and the modern award minimum wages. The Commission held the view

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that the most significant change since last year's decision has been the sharp rise in the cost of living and the strengthening of the labour market. The unemployment rate has fallen to 3.9 per cent, compared to 5.5 per cent at the time of last year's decision. Measures of underemployment have also fallen and the improvement in the labour market is also forecast to continue in the period ahead.

Additionally, the Commission stated that at the time of last year's decision, the CPI stood at 1.1% compared to the most recent figure of 5.1%, and that the Reserve Bank has stated a stronger inflationary forecast with the expectation that inflation will peak at 6% later this year.

The Commission accepted the view that the sharp rise in inflation impacts both workers and businesses. The cost of business inputs increases which, depending on the capacity to pass on those costs, adversely impacts profitability. However, inflation erodes the real value of workers' wages and reduces their living standards with the low paid being particularly vulnerable in the context of rising inflation.

Nonetheless, the Commission did accept the need for moderation in order to constrain possible inflationary pressure arising from its decision. The Commission determined various federal budget measures earlier this year, along with the upcoming 0.5% increase to superannuation guarantee payments, and the removal of the \$450pm superannuation threshold were moderating factors.

COMMENTARY

The amount of this week's decision raises a number of concerns from both an affordability perspective as well as the methodology used. There is argument that there are a number of factors the Fair Work Commission could have given greater or a more balanced weighting to in coming to its decision.

For example, the high level of job vacancies across most industries and the related shortage of workers, including in our industry, indicate those industries continue to still be in a lagging post-pandemic recovery period rather than evidencing an economy that has truly roared back to life.

Additionally, factors such as increased business costs for power, fuel and transport, the ongoing business costs from COVID related worker health and safety and related absenteeism, income related federal government budgetary measures, and the upcoming 0.5% increase to superannuation guarantee payments from 1 July 2022 arguably should all have been given greater consideration so as to further moderate this week's decision.

That said, the decision has been issued and now our industry will review the impact over the next fortnight. Whilst operating under a series of Awards, our industry, in most cases, is paying above the Award Rates due to skills and labour shortages already pressuring labour rate increases.

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NEXT STEPS

The Commission will now finalise determinations and amendments for Award minimum wages and related allowances over the next weeks. TRMC will liaise with the Commission over the proposed calculations, distribute relevant Award rate updates to members when finalised and keep you updated on these issues. Nonetheless, we recommend members consider the overleaf 'Key Take-outs and Actions' to prepare your businesses.

If members have any questions or concerns please contact our GM – IR, Policy and Governance, Charles Watson, at charles@thermc.com.au or phone him on 0428 568 032.

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KEY TAKEOUTS AND ACTIONS - 2022 NATIONAL MINIMUM WAGE DECISION

Members should consider the following issues as they relate to their employees and take any appropriate action.

OPERATIVE DATE

- > Confirm and diarise relevant operative date (discussed in the Briefing document above) if any increase to wages and or allowances are required as a result of the decision.

AWARD COVERED EMPLOYEES

- > The increase will flow into all Award rates of pay from the specified operative dates.
- > Members who pay employees (including apprentices) at the minimum Award rate of pay will be required to appropriately increase pay from the operative date.

ABOVE-AWARD PAID EMPLOYEES

- > The incoming increases to the Award rates of pay can be absorbed into an employee's current rates of pay as long as the result leaves their rate of pay at least equal to the increased Award minimum rates.

SALARIED AWARD COVERED EMPLOYEES

- > Members who employ Award covered employees who are paid an annualised salary must ensure the employee's annualised salary remains sufficient to absorb the increased Award-based monetary entitlements, and adjust upward if necessary.

AWARD-FREE EMPLOYEES

- > Members who employ Award free adult employees must pay them at least the new National Minimum Wage rate from the first full pay period on or after 1 July 2022.
- > Member with Award free junior employees must pay those employees at the appropriate percentage of the National Minimum Wage rate from the first full pay period on or after 1 July 2022.

ENTERPRISE AGREEMENTS COVERED EMPLOYEES

- > Members with enterprise agreements will need to ensure the base rates of pay in the enterprise agreement is at least equal to the relevant rate in a respective Awards as increased by the decision.

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EMPLOYEES COVERED BY INDIVIDUAL FLEXIBILITY AGREEMENTS

- > Members who utilise Individual Flexibility Agreements in the workplace will need to ensure those employees are and remain "better off overall" when compared to the applicable Award and any minimum rate and allowance increases.

AWARD ALLOWANCES

- > Where applicable, members will need to adjust any Award based allowances from the appropriate date.

IMPORTANT TO NOTE:

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