



FEDERAL MINIMUM WAGE DECISION – INCREASE OF 3.4% APPLICABLE FROM 1 JULY 2011.

The Decision

On Friday 3 June Fair Work Australia handed down its minimum wage decision setting minimum award and non –award wages.

Fair Work Australia's minimum wage panel decided to lift minimum award rates by 3.4% (with weekly wages rounded to the nearest 10 cents) - the first time in 20 years that a federal wage-fixing tribunal has awarded a percentage increase rather than a flat-dollar amount.

The Panel – consisting of Tribunal President Justice Geoffrey Giudice, Senior Deputy Presidents Ian Watson and Anne Harrison, Commissioner Frank Raffaelli, John Vines, Professor Sue Richardson and Peter Dwyer - rejected employer arguments to delay the increase because of recent natural disasters, meaning the decision will apply from July 1 as had been previously expected.

The decision lifts the federal weekly minimum wage by \$19.40 to \$589.30 (\$15.51 an hour) - currently \$569.90 (\$15 an hour). Weekly rates are to be adjusted to the nearest 10 cents.

The ACTU had argued for a \$28-a-week pay rise for award-covered employees up to the C10 tradesperson's rate - and 4.2% above that.

The Australian Industry Group had sought a flat \$14 a week increase across the board while ACCI had sought a \$9.50 increase. Both had also sought a delay in applying the increases for employers affected by recent natural disasters.

The Panel however indicated that a "significant increase is appropriate which will improve the real value of award wages and assist the living standards of the low paid".

The 3.4% increase applies to minimum wages for junior employees, employees to whom training arrangements apply and employees with disability, and to piece rates through the operation of the methods applying to the calculation of those wages.

Award/Agreement free juniors and apprentices will be entitled to percentages based upon the Miscellaneous Award 2010 while award/agreement free casual employees will have their casual loading increased to 22%.

IR UPDATE – June 2011

What does this mean for members?

1. In respect to employees covered by the terms of the Legal Services Award 2010, each classification's base ordinary hourly rate must be increased by 3.4% on and from 1 July 2011.

Where employers are already paying rates over and above the minimum Award hourly rate the 3.4% increase is absorbable into the above award rate paid. For example:

If the Award rate (prior to this increase) was \$608 per week (\$16.00 per hour) it would increase by 3.4% to \$628.70 (\$16.54 per hour).

If the employer was already paying the employee \$16.54 (or above) no increase would be applicable – the whole minimum wage increase would be 'absorbed' into the above-award rate already paid.

If however the employer had been paying (for example) \$16.24 per hour, the employer is not required to increase the rate to \$16.78 (the \$16.24 paid + the \$0.54 increase). Instead the employer would absorb the first \$0.24 of the \$0.54 increase (as it was already paying \$0.24 above the award rate) and only increase the rate by \$0.30 – so adjusting the rate to \$16.54.

2. Where employers are covered by the terms of an Enterprise Agreement, the Enterprise Agreement rates will continue to apply subject to:
 - (i) The Enterprise Agreement base hourly rates not being less than the adjusted Award base hourly rates – if they are the base Agreement ordinary hourly rate must be increased to the base Award ordinary hourly rate;
 - (ii) Where the Enterprise Agreement contains a clause providing for an Agreement wage increase in line with the FWA minimum wage increase – then the Agreement base rates should be adjusted by 3.4%.
- 3 In regard to Award free employees – the minimum hourly rate payable increases to \$15.51 and for casual employees the loading increases to 22%.

Remember – the Fair Work Ombudsman continues to conduct random audits of thousands of businesses a year – make sure you comply with this decision and adjust rates accordingly.

**For further Workplace Relations advice Contact IR Assist on:
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