

## 2010 Annual Wage Review

Fair Work Australia has decided to increase the federal minimum wage and to increase minimum rates in modern awards by \$26.00 per week. The increases will apply from the first full pay period in July 2010.

In its first annual wage review, the minimum wage panel of Fair Work Australia ("FWA") has decided to:

- increase the federal minimum wage from \$14.31 per hour to \$15.00 per hour (\$569.90 per week);
- increase the adult minimum wage rates in all modern awards by \$26.00 per week (rates expressed as hourly amounts will be adjusted by \$0.69 per hour); and
- establish a casual loading for award/agreement-free employees at 21%; and
- the decision of the minimum wage panel will take effect from the first full pay period commencing on or after 1 July 2010.

In part, the increase reflects the fact that there have been no adjustments to minimum rates since October 2008, given that the Australian Fair Pay Commission chose not to grant an increase last year.

The minimum wage panel reviewed the casual loading and confirmed that the 25% standard adopted in the award modernisation process would be retained. However, in order to align the casual loading for award-free employees with the modern award rate, FWA has decided to do so by installments consistent with the transitional arrangements. As a result, the casual rate for award-free employees will be 21% from July 2010 and will be increased by 1% in each of the next 4 years.

### What does this mean?

The rates prescribed in modern awards will increase by \$26.00 per week from the first full pay period in July 2010. Employers who are covered by modern awards must pay the minimum rates prescribed therein.

Where employees were paid less than the modern award rate by virtue of the transitional arrangements, the annual wage review amount must be applied in full.

For example, an employee's current award rate as transitioned from 1 January 2010 is \$16.00 an hour. As at 1 January 2010 the new modern award rate was \$16.50 an hour. The transitional amount is \$0.50 per hour. From 1 July 2010, 20% of the transitional amount is to be applied, which equals \$0.10. The minimum rate payable to the employee from the first pay period on or after 1 July 2010 is therefore \$16.00 plus \$0.10 plus \$0.69 which equals \$16.79 an hour.

Some modern awards (such as the *Cleaning Services Award 2010*) contain industry-specific transitional arrangements. Employers covered by these awards will need to refer to the specific terms of the award.

Wage rates for employees to whom junior rates are payable will be adjusted proportionately; according to the percentage relationship those rates bear to the applicable adult rate.

### Division 2B State Awards

The annual wage review decision does not apply to state reference employers and employees, who were not in the federal system prior to 1 January 2010, and who are covered by instruments derived from former state awards in New South Wales, Queensland, South Australia and Tasmania.



The minimum wage rates and casual loadings in these instruments are not affected by the FWA decision. These instruments are subject to a separate review process.

### Need Further Help?

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