

Annual Wage Review 2013-14 Decision and Superannuation Guarantee increase

Summary

The Expert Panel of the Fair Work Commission has handed down its Annual Wage Review 2013-14 Decision which is operative from 1 July 2014. Key elements of the decision include:

- The National Minimum Wage will be increased to \$640.90 per week or \$16.87 per hour.
- Award wage rates for full-time adult employees will be increased by 3.0 per cent;
- Junior, apprentice and trainee wage rates will be adjusted proportionately; and
- Wage related allowances and expense related allowances will be increased in accordance with formulas included in each modern award.

Over the next few weeks Ai Group will distribute a member advice on individual modern awards setting out the new wage rates and allowances once these are determined by the Fair Work Commission.

On the same date that the Annual Wage Review decision is operative, the Superannuation Guarantee will increase by 0.25 per cent from 9.25 per cent to 9.5 per cent.

1. Annual Wage Review Increase

Ai Group played a major role in the Annual Wage Review 2013-14 to argue against the \$27 increase which the unions were pursuing and to argue in support of a modest 1.6 per cent wage increase given the tough business conditions which many industry sectors are experiencing. Ai Group filed a number of detailed submissions and appeared at the hearings before the Fair Work Commission.

In a media statement (**Attachment**), Ai Group's Chief Executive Innes Willox described the three per cent increase awarded by the Commission as too high given the pressures which businesses are under. "It is a risky decision that puts the interests of workers with secure jobs ahead of the unemployed and those with less secure jobs. It raises the likelihood that jobs will be lost in industries which are struggling", Mr Willox said.

What is the operative date for the minimum wage increase?

The wage increase is operative from the first full pay period that starts on or after **1 July 2014**.

Can the wage increase be absorbed into over-award payments?

Yes. The wage increase is fully absorbable into over-award payments, unless the employer agrees otherwise.

Does the wage increase apply to employees covered by an enterprise agreement or "agreement-based transitional instrument"?

For most employees, the answer to this question is no. However, all employees covered by an enterprise agreement or an "agreement-based transitional instrument" (i.e. an agreement in force before the commencement of the *Fair Work Act 2009*) must be paid a base rate of pay no less than the base rate of pay under the relevant modern award, or the National Minimum Wage if they are an award-free employee.

Does the wage increase apply to award / agreement free adult employees?

A National Minimum Wage Order applies to adult employees who are not covered by an award or enterprise agreement. The National Minimum Wage Order includes:

- A National Minimum Wage of \$640.90 per week or \$16.87 per hour; and
- A casual loading of 25%.

Adult employees who are award / agreement free must not be paid less than the National Minimum Wage.

Does the wage increase apply to award / agreement free juniors, trainees and apprentices?

Most juniors, apprentices and trainees are covered under an award or enterprise agreement and therefore the rates of pay in the relevant award or agreement apply.

Special national minimum wages for any award / agreement free juniors, trainees and apprentices are included in the National Minimum Wage Order.

Does the decision impact upon wage structures for employees with a disability?

Yes. With regard to employees with a disability:

1. Award-covered employees whose disability does not impact upon their productive capacity are entitled to the relevant modern award wage rate.
2. Award-covered employees who are unable due to their disability to earn the full modern award wage rate are covered by supported wage provisions in modern awards.
3. For award / agreement free employees, the National Minimum Wage Order contains two special national minimum wages. Special National Minimum Wage No. 1 has the same rate as the National Minimum Wage and applies to employees with a disability who are able to earn the full rate because their disability does not impair their productive capacity. Special National Minimum Wage No. 2 applies to employees who are unable, due to their disability, to earn the full wage rate and for these employees supported wage provisions apply.

Do transitional provisions apply?

Over the past four years standard transitional provisions have operated under most awards to phase-in the modern award wage rates where higher or lower wage rates were contained within a pre-modern award which applied to the employer before 1 January 2010. The standard transitional provisions have come to an end and do not operate for this year's Annual Wage Review increase.

2. Superannuation Guarantee increase

On 1 July 2014 the Superannuation Guarantee (SG) will increase by 0.25 per cent from 9.25 per cent to 9.5 per cent.

The SG Levy is payable by employers who do not contribute the specified minimum level of superannuation into an approved fund for their employees. It is in the interests of employers to make the necessary superannuation contributions rather than to pay the Levy because unlike superannuation contributions the Levy is not tax deductible.

The Federal Government originally intended to delay the 0.25 per cent increase payable from 1 July 2014 but the legislation to achieve this was defeated in Parliament by the Labor Party and The Greens.

In the recent Federal Budget the Government announced that the 0.25% increase in the SG from 9.25% to 9.5% will go ahead on 1 July 2014 but the Government intends to then introduce legislation to freeze the SG at 9.5% for four years.

Without further legislative change, the current legislation (which was introduced by the former Labor Government) will further increase the SG in 0.5% increments from 1 July 2015 until the SG reaches 12% on 1 July 2019. However, under the arrangements announced in the Budget, subject to the necessary legislative changes, the SG will be frozen at 9.5 per cent for four years from 1 July 2014, then increased to 10% on 1 July 2018 and increased in annual 0.5 per cent increments until it reaches 12% on 1 July 2022.

Do you require further advice?

For further information or assistance please call Ai Group's BIZassistInfoline on 1300 78 38 44.



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MEDIA RELEASE

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Annual Wage Review increase is too high and will increase the pressure on struggling businesses

Statement by Innes Willox
Chief Executive Australian Industry Group

“The three percent minimum wage increase awarded by the Expert Panel of the Fair Work Commission is too high and will increase the pressure on struggling businesses. It equates to an increase of around \$19 per week on the national minimum wage, \$22 on the base trade rate, and up to \$36 for professionals. This is on top of the 0.25 percent increase in the Superannuation Guarantee which employers must pay from 1 July”, Ai Group Chief Executive Innes Willox said today.

“At a time when the soft labour market is seeing more moderate wages growth in line with the fragility of the domestic economy, employers will find it very hard to understand why the Fair Work Commission has decided to award a particularly generous wage increase this year. This decision will add to the relative costs of employing minimum wage employees. It is likely to make it more difficult for them to find employment while making it less likely that employers will offer part-time minimum wage employees the additional hours of work that many of them are seeking.

“Many industry sectors, and particularly those exposed to import competition, are experiencing very tough business conditions. This includes manufacturing, retail and tourism businesses, for example, for whom this decision is not at all helpful.

“Indeed, according to today’s GDP data, aside from the welcome growth in mining exports, the Australian economy did not grow at all in the March quarter. Many key industries are actually contracting. Manufacturing shrank by 3.1%; professional services shrank by 2.1%; transport by 2.2%; and wholesale trade by 0.4%.

“The economy is not generating strong jobs growth. Total employment has lifted by only 0.9% over the past year compared to population growth of 1.8%. Unemployment is higher than this time last year.

“It is a risky decision that puts the interests of workers with secure jobs ahead of the unemployed and those in less secure jobs. It raises the likelihood that jobs will be lost in industries which are struggling”, Mr Willox said.

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