



JUNE 2023

FWO Annual Wage Review 2023-24

On 2 June 2023, the Fair Work Commission (FWC) announced their [decision](#) regarding the Annual Wage Review for 2023-24, with an:

- **8.6%** increase in the **minimum wage**; and
- **5.75%** increase to **modern award minimum wage**;

which comes into effect **1 July 2023**.

National Minimum Wage Increase

The National Minimum Wage applies to employees not covered by an award or registered agreement.

From **1 July 2023**, the National Minimum Wage will be increased to \$882.80 per week or \$23.23 per hour.

Award Minimum Wage Increase

Following consultation with a range of stakeholders, including peak councils, registered employer/employee organisations, individual employers and employees, and the Australian Commonwealth and State Governments, the FWC decided that employees covered by a modern award will have their award based minimum rates increased by **5.75% with effect 1 July 2023**.

The FWC determined that this level of wage increase was the most that could reasonably be justified in the current economic climate, and in determining the percentage increase, the FWC took into consideration:

- the current rate of inflation, and its effect on the ability of modern award-reliant employees to meet their basic financial needs and the resulting financial stress;
- the current robustness of the labour market; and
- that increases to modern award minimum wage rates would likely provide a disproportionate benefit to female workers which may contribute to narrowing the aggregate gender pay gap across the entire employee workforce.

SCHADS, Aged Care and Nurses Awards

For some employees covered by the:

1. *Aged Care Award 2010* (Cth) [MA000018] (**Aged Care Award**);
2. *Nurses Award 2020* (Cth) [MA000034] (**Nurses Award**); and
3. *Social, Community, Home Care and Disability Services Industry Award 2010* (Cth) [MA000100] (**SCHADS Award**);

minimum wages will **increase by 15%** with effect from the start of the employee's first full pay period on or after **30 June 2023**.

This increase applies to direct care employees working in aged care. Direct care employees are those who work in caring roles in the following award classifications:

- **Aged Care Award:** personal care workers, recreation/lifestyle activities officers, and the most senior food services employee (levels 4-7) who work at a particular aged care facility or site;
- **Nurses Award:** nursing assistants, enrolled nurses, registered nurses, and nurse practitioners working in aged care; and
- **SCHADS Award:** home care workers working in aged care.

Together with the Award minimum wage increase of 5.75% increase, this means that the minimum wage for applicable employees under the Aged Care Award, the Nurses Award and the SCHADS Award will change from the first pay period commencing on or after 30 June, **and again** from the first pay period commencing on or after 1 July (ie effectively a **20.75% increase**).

Enterprise Agreement Wage Increase

Employees covered by enterprise agreements that provide for annual wage increases aligned to the FWO Annual Wage Review, will also be entitled to the 5.75% increase with effect 1 July 2023.

Disclaimer

The information contained in this update is intended as a guide only. Professional advice should be sought before applying any of the information to circumstances. While every reasonable care has been taken in the preparation of this update, Law Ensure (ACN 168 990 261) does not accept liability for any errors it may contain.

Superannuation

The legislated minimum superannuation amount (**Super Guarantee**) will increase from 10.5% to 11% per annum on 1 July 2023. The Super Guarantee rate will continue to increase by 0.5% each financial year until it reaches 12% on 1 July 2025.

Changes to the paid parental leave scheme

For employees whose baby will be born or placed in their care on or after 1 July 2023, the current entitlement to 18 weeks' paid parental leave pay will be combined with the current Dad and Partner Pay entitlement to two weeks' pay. This means that with effect 1 July 2023, partnered couples will be able to claim up to 20 weeks' paid parental leave between them. Parents who are single at the time of their claim can access the full 20 weeks.

Other changes include:

- allowing partnered employees to claim a maximum of 20 weeks' pay between them, with each partner taking at least two weeks (except in some circumstances);
- introducing a \$350,000 family income limit (indexed annually from 1 July 2024) for claiming paid parental leave pay;
- expanding the eligibility rules for fathers or partners to claim paid parental leave pay;
- making the whole payment flexible so that eligible employees can claim it in multiple blocks until the child turns two years of age; and
- removing the requirement to return to work to be eligible for the entitlement.

Services Australia is the government organisation that manages the paid parental leave scheme. For more information on the changes, you can visit the Services Australia [website](#).

Takeaways for employers

The increases to minimum wages will take effect for employers from the first full pay period on or after 1 July 2023. The increases will also have a flow-on effect to all loadings, penalties, allowances and overtime payments under the awards that are calculated with reference to the minimum wage. Employers will soon be able to review these increase on the FWC's Pay and Conditions Tool [website](#).

Employers should review their current pay arrangements to ensure that:

- **award/agreement-free employees:** any employee not covered by a modern award or enterprise agreement will, from the first full pay period on or after 1 July 2023, be entitled to a minimum weekly wage for 38 hours of work equal to \$882.80, or \$23.23 an hour (plus the 25 per cent casual loading in respect of casual employees).
- **modern award covered employees:** from the first full pay period on or after 1 July 2023, employees covered by a modern award must not be paid less than the new modern award wage in respect of the employee's classification under the modern award. This also includes casual loading and other loadings, penalties, allowances or overtime, which are calculated by reference to the modern award minimum rates of pay.
- **all-inclusive salary employees:** review salary packages of employees who receive "all-inclusive salaries". The increase may affect the lawfulness of that all-inclusive salary if it is no longer adequate to compensate them for their award entitlements ie to achieve a positive BOOT. Employers also need to be prepared for the increase in the Super Guarantee rate to 11% on and from 1 July 2023.
- **enterprise agreement covered employees:** from the first full pay period on or after 1 July 2023, for any employees to whom an enterprise agreement applies, that they are paid base rates of pay under the enterprise agreement that are:
 - for employees not covered by a modern award – not less than the national minimum wage;
 - in the case of an employee covered by a modern award – not less than the wage specified in respect of an employee's classification under a modern award; and
 - arrangements that guarantee pay above the high-income threshold post 1 July 2023 still exceed the high-income threshold (currently \$162,000, however, has not yet been adjusted for 1 July 2023).

If you require any further information or assistance in relation to the Annual Wage Review and salaried arrangements/better off overall test calculations, contact us today to see how we can assist!