

Box C

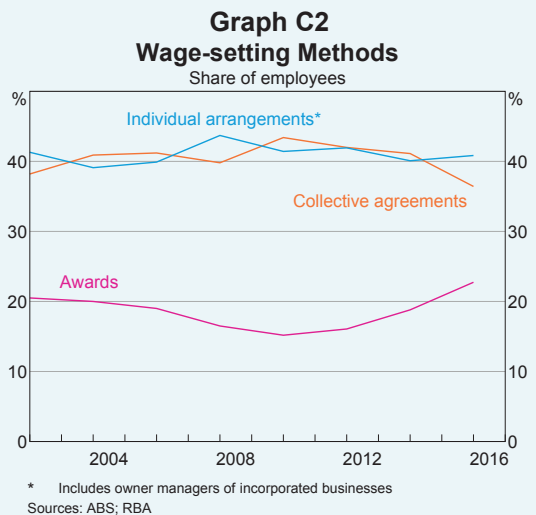
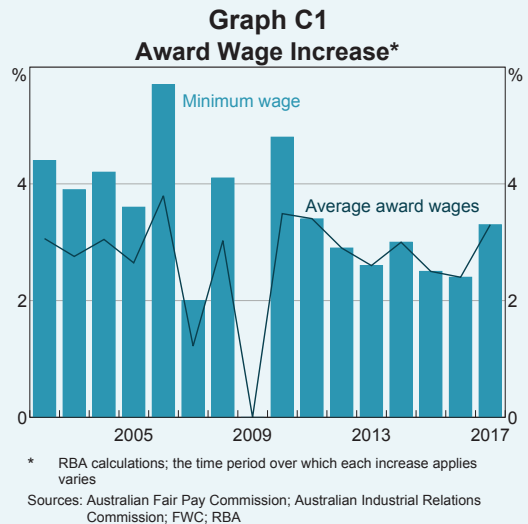
Minimum Wage Decision

In Australia, the Fair Work Commission (FWC) determines the national minimum wage, as well as the minimum wage and entitlements for workers in specific industries and occupations (known as ‘awards’).¹ At its recent annual wage review, the FWC announced a 3.3 per cent increase in the national minimum wage (to \$18.29 per hour) and minimum wages across all awards (Graph C1).

This increase was higher than in recent years. The FWC noted that there was scope for a larger increase because overall wage growth has been subdued for several years and the unemployment rate has been relatively stable of late. The FWC also noted that the larger increase in award wages would support the relative living standards of low-paid workers. Furthermore, the FWC has strengthened its view that ‘modest and regular’ award wage increases do not reduce the number of existing jobs with award conditions.

Nearly one-quarter of all employees, accounting for around 15 per cent of the national wage bill, are covered by awards (Graph C2). The increase in wages for these workers took effect on 1 July. As a result, the increase in the minimum wage and award wages will directly contribute around 0.5 percentage points to annual growth in the aggregate wage price index (WPI) in the September quarter.

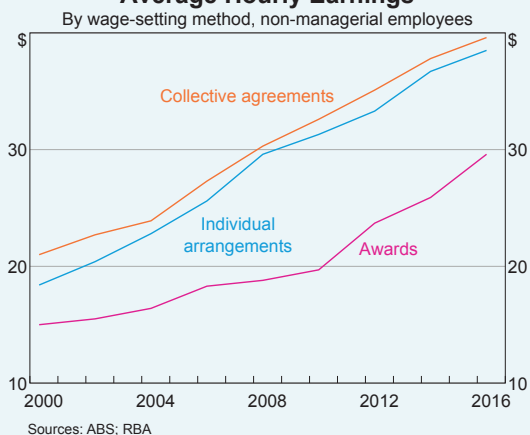
¹ In contrast, collective agreements are bargained between an employer and a group of employees or a union on their behalf. Individual arrangements are made directly between the employer and the employee.



This is larger than the average direct contribution of 0.3 percentage points since 2010. The larger contribution in 2017 reflects both the higher wage increase and the higher share of workers whose wages are determined by the FWC's decision. Since 2010, the share of workers covered by awards has increased steadily and across most industries. Over the same period, collective agreements (primarily Enterprise Bargaining Agreements) have become less prevalent, while the share of workers covered by individual arrangements has remained broadly steady. Award coverage is highest in some service industries and retail trade (Graph C3).

Workers on awards tend to earn less per hour than workers who have their pay set by other methods, both in aggregate and within industries (Graph C4). Non-managerial workers on awards earn around \$10 less per hour, on average, than non-managerial workers on collective agreements or individual arrangements. Furthermore, workers on awards make up a large share of part-time and casual employment and, as a result, they often work fewer hours and earn less overall than other workers.

Graph C4
Average Hourly Earnings

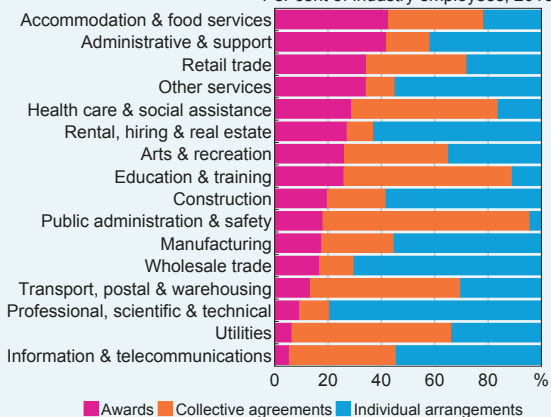


The increase in award wages is also expected to flow on to some other workers who are not covered by awards. Wage increases of close to one-fifth of employees are linked to changes in award wages through conditions specified in their collective agreements or individual arrangements. This could contribute a further ¼–½ percentage point to growth in the WPI over coming quarters, although the size and timing of these effects is highly uncertain. ↘

Graph C3

Method of Setting Pay*

Per cent of industry employees, 2016



* Non-managerial employees

Sources: ABS; RBA

