

NEWS&VIEWS JUNE 2020

Australian minimum wage to increase in the wake of COVID-19 pandemic

The recent decision to increase the minimum wage by 1.75 per cent

On 19 June 2020, the Fair Work Commission (FWC) handed down its [decision in the 2020 National Wage Case](#). The result was a **1.75 per cent increase for minimum wage workers**.

Background to the 2020 minimum wage decision

The 2020 *National Wage Case* was always going to be contentious. With COVID-19 wreaking havoc on international economies, Australian business will struggle to stay afloat, let alone find the funds to increase employee wages.

With this backdrop, **employer groups** sought to either:

- **Defer** any wage increase until January 2021; or
- **Keep** the minimum wage at the 2019 rate of \$19.49 per hour

On the other hand, **employee representatives** sought a **4 per cent increase**.

FWC's minimum wage decision

The FWC found a compromise. It awarded a **1.75 per cent increase, making a new minimum hourly rate of \$19.84**.

It's much less significant than the 2019 increase of 3 per cent, and it's also lower than the current consumer price index rate of 2.2 per cent.

However, there will be a staggered introduction of the new rate with three commencement dates:

- From **1 July 2020**, the increase will apply to essential health and social workers, teachers, child care workers and other essential services workers
- From **1 November 2020**, the increase will apply to construction and manufacturing workers
- From **1 February 2021**, the increase will apply to other sectors including hospitality and tourism, food services, arts-based work, aviation, and the retail sector

The staggered commencement dates aim to give impacted businesses a better chance of implementing the new rates while staying financially viable.

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How the decision affects employment instruments

The decision **affects the minimum rate in every modern award**. For employees who are paid above-award rates, employers aren't required to increase their pay rates unless their current rate falls below the new minimum rate.

Similarly, employees who are covered by **enterprise agreements** must be paid at least the minimum rate, even if their current rate falls below the new minimum rate.

What this means for your organisation

The decision is a reminder to all employers to **review employment instruments before the new wage rates come into effect**. You'll need to conduct a review as soon as possible if your organisation employs workers under:

- Contracts of employment
- Enterprise agreements
- Modern awards
- Individual flexibility agreements

If you're concerned about how the new minimum wage may affect your organisation, or how to implement the new rates, [contact us for advice](#). Getting legal advice now may save you the financial pain of a future underpayment claim.

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