



## 2006 MINIMUM WAGE DECISION

### Wage-Setting Function

The main wage setting powers of the Australian Fair Pay Commission are:

- adjusting the standard Federal Minimum Wage;
- determining or adjusting special Federal Minimum Wages;
- determining or adjusting basic periodic rates of pay and basic piece rates of pay; and,
- determining or adjusting casual loadings.

The Commission has an over-arching objective to promote the economic prosperity of the people of Australia. The following criteria guided the Commission in making its first wage-setting decision.

- the capacity for the unemployed and the low paid to obtain and remain in employment;
- employment and competitiveness across the economy;
- providing a safety net for the low paid; and,
- providing minimum wages for junior employees, employees to whom training arrangements apply and employees with disabilities that ensure those employees are competitive in the labour market.

### Wage-Setting Decision

The Australian Fair Pay Commission's first decision was made in October and took effect from 1 December 2006. The decision has **three** main elements.

- an **increase** of \$0.72 to the standard Federal Minimum Wage (to \$13.47 an hour);
- an **increase** of \$0.72 to basic periodic rates of pay in all Australian Pay and Classification Scales (Pay Scales) up to \$18.42 per hour (i.e. up to around \$700 per week based on a standard 38 hour week<sup>1</sup>); and
- an **increase** of \$0.58 to basic periodic rates of pay in all Pay Scales above \$18.42 per hour (i.e. above around \$700 per week based on a standard 38 hour week<sup>2</sup>).

The increases flow on to junior employees, employees to whom training arrangements apply, employees with disabilities and basic piece rates of pay.

---

<sup>1</sup> \$18.42 per hour x 38 hours equals \$699.96 per week. Therefore the hourly increase of \$0.72 was granted to Pay Scales providing rates of pay up to and including \$18.42 per hour.

<sup>2</sup> \$18.42 per hour x 38 hours equals \$699.96 per week. Therefore the hourly increase of \$0.58 is granted to Pay Scales providing weekly rates of pay above \$699.96 per week.

### **Examples of the increase for different Wage Rates (based on a 38 hour week)**

1. For employees earning the standard Federal Minimum Wage of \$484.50 per week or \$12.75 an hour, the October decision grants an increase of \$0.72 an hour or \$27.36 per week. Their wage will increase to \$13.47 an hour or \$511.86 per week
2. For employees earning a minimum wage rate of \$600.02 per week or \$15.79 an hour, the October decision grants an increase of \$0.72 an hour or \$27.36 per week. Their wage will increase to \$16.51 an hour or \$627.38 per week.
3. For employees earning a minimum wage rate of \$750.12 per week or \$19.74 an hour, the October decision grants an increase of \$0.58 an hour or \$22.04 per week. Their wage will increase to \$20.32 an hour or \$772.16 per week.

### **Rounding of wage rates**

Pay Scales provide wage rates expressed as hourly rates, e.g. by dividing the relevant weekly wage rate previously under the award by the employee's ordinary hours of work. The resulting hourly wage rate is rounded, from 1 December 2006, in accordance with paragraph E.1 of the October decision. Hourly rates are adjusted to the nearest cent (with 0.5c and above being taken upwards). For example, an employee previously guaranteed \$500 per week under an award (\$13.1578 etc per hour in a Pay Scale) would, after adding the Commission's increase of 0.72c, receive \$13.88.

### **Safety Net Adjustment 2005**

Pay Scales from pre-reform wage instruments (predominantly federal and state awards) that were not adjusted in relation to the AIRC's 2005 Safety Net Review (by the AIRC or a state industrial body), but

- were adjusted in accordance with the AIRC's 2004 Safety Net Review decision; or
- received a safety net adjustment during the 12 months to 27 March 2006; or
- took effect after the AIRC's 2004 Safety Net Review decision,

are increased **by \$17 per week expressed as an hourly rate in addition** to any other increase in the October decision.

### **Future Wage-Setting Reviews**

The Commission will deliver its second general wage-setting decision in mid 2007.

The Commission will also initiate a review on wage arrangements for junior employees and conduct a wage review of Pay Scales for employees to whom training arrangements apply.

### **Need further information?**

If you would like more information on wage rates, call the **WorkChoices Infoline** on **1300 363 264**

If you would to view the Commission's Decision in full or check other fact sheets in this series, you can visit the **AFPC web site** at [www.fairpay.gov.au](http://www.fairpay.gov.au)

