

ALERT

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MINIMUM WAGE INCREASE FROM 1 JULY 2016

27 June 2016

The Fair Work Commission has announced that with effect from the first full pay period commencing on or after 1 July 2016, the minimum wage rates set out in modern awards will increase by 2.4%. For employees not subject to a modern award or enterprise agreement, the National Minimum Wage will also increase by 2.4% from \$656.90 per week to \$672.70 per week (an additional \$15.80 per week), or an increase from \$17.29 per hour to \$17.70 per hour (an additional 41 cents per hour).

What should employers do?

At present a total of approximately 120 modern awards exist throughout Australia which operate along industry and occupational lines to set out minimum terms and conditions of employment for those employees who fall within their coverage. The Fair Work Commission estimates that more than 1.86 million employees in Australia are currently reliant on award rates of pay.

Employers should consider whether any of their employees are covered by a modern award if they have not done so already and, if they are covered, carefully review the rates of pay and conditions being afforded to the employees to ensure they will meet their obligations under the award from 1 July 2016.

Employers who are covered by an enterprise agreement should also review the agreement to ensure that the base rates of pay for the employees under the enterprise agreement are not less than those that would be payable under the relevant modern award.

For those employees who are not covered by a modern award or enterprise agreement, employers should take steps to ensure they are paying those employees an amount of wages not less than the National Minimum Wage from 1 July 2016.

Why is this important?

There are significant sanctions available against employers that do not comply with an applicable modern award, enterprise agreement or the National Minimum Wage, including civil penalties of up to \$54,000 per breach as well as orders for compensation for any damage suffered as a result of the breach.

For example, the Federal Circuit Court of Australia recently imposed a penalty of \$257,000 against a security company and \$51,400 against its director for underpaying eight employees by more than \$20,000 over a 3 month period under the relevant award. The Court found that the company had paid the employees flat rates for all hours worked, without taking into account their entitlements under the award to such things as overtime and penalty rates for working at night, weekends and public holidays (for more see *FWO v Step Ahead Security Services Pty Ltd* [2016] FCCA 1482).

Should you have any queries in relation to this alert, please contact Martin Alden, Partner – Employment & Industrial Relations, m.alden@cornwalls.com.au, +61 3 9608 2273.

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