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# Alert

Employment, Workplace Relations & Safety

## Annual wage review panel increase of 3.5% in line with expectations

By Ben Duggan & Jasmine Zanatta

The Fair Work Commission (**FWC**) passed down its minimum wage review decision for 2025 on Tuesday, 3 June 2025.

A summary of the key wage increases that will apply from 1 July 2025 is as follows:

- The minimum modern award wage rates of pay will increase by 3.50%;
- The national minimum hourly rate will be \$24.95, an increase of \$0.85 per hour; and
- The national minimum weekly wage will be \$948.00 per week.

Outlined below are the key aspects of the minimum wage review.

### I. The statutory framework of the FWC's minimum wage review

The *Fair Work Act 2009* (Cth) (**FW Act**) mandates that the FWC conduct an annual review of the national minimum wage and modern award minimum wages undertaken by the review panel.

Each year the primary focus for the review panel is to determine the two key matters as follows:

- The amount of the national minimum wage; and
- The modern award minimum wages for the forthcoming period.


In conducting this review, the FWC operates within the statutory framework established by the FW Act, specifically considering the following:

- The objects of the FW Act (section 3);
- The modern award objective (section 134); and
- The minimum wages objective (section 284).

In the course of its review, the FWC is obligated to consider a range of specific factors that are outlined in the FW Act, including:

- The relative living standards and the needs of the low paid; and
- The need to achieve gender equality in the workplace; and
- The need to encourage employment growth; and
- Various economic considerations; and
- The likely impact of any changes on the national economy.

The FW Act also establishes procedural fairness requirements to ensure that all interested parties are afforded a reasonable opportunity to contribute to the review process.



These procedural fairness provisions are integral to the FWC's commitment to transparency and impartiality, ensuring that decisions are based on a comprehensive understanding of all relevant perspectives.

## II. Submissions on the proposed minimum wage adjustments for 2025

The Albanese Federal Government and parties that represent the interests of employers and employees including the Australian Council of Trade Unions (**ACTU**), the Australian Chamber of Commerce and Industry (**ACCI**) and the Australian Industry Group (**AIG**) have all submitted their perspectives to the FWC's review panel as part of the 2025 Annual Wage Review.

Overwhelmingly, the submissions from these parties proposed an increase to the national minimum wage and the modern award minimum wage in the context of inflation currently growing by nearly 2.5%.

In its submission, the ACTU proposed a 4.5% increase to the national minimum wage and modern award minimum wages largely in line with the high rate of inflation and also urged an expedition of the implementation of the gender undervaluation imperatives in accordance with the FW Act.

The Albanese Labor Government's submissions were largely consistent with these submissions advocating for an "economically sustainable real wage increase" to ease cost of living pressures.

In response, the employer bodies including the ACCI and AIG proposed more conservative increases to minimum wages of around 2.5% in line with the current rate of inflation.

## III. The FWC's minimum wage review decision for 2025

The review panel of the FWC determined that it was appropriate to increase both the national minimum wage rate and the minimum modern award wage rate by 3.5% which is higher than the rate of inflation.

In reaching this decision, the review panel noted its principal consideration which guided its decision as:

"the fact that, since July 2021, employees who are reliant on modern award minimum wages or the National Minimum Wage have suffered a reduction in the real value of their wage rates".

The review panel noted the following as part of its decision to increase both the national minimum wage rate and the minimum modern award wage rate:

- The performance and competitiveness of the national economy;
- The need to achieve gender equality;
- Promoting social inclusion through increased workforce participation; and
- Relative living standards and the needs of the low paid.

The review panel also considered the following to be moderating factors:

- The upcoming increase in the Superannuation Guarantee contribution rate;
- The uncertainty caused by changing US trade policies; and
- Some indications of weakness in the Accommodation and food services sector in which a considerable proportion of modern award-reliant workers are employed.

In its decision, the review panel commented that the Reserve Bank's recent assessment that inflation has returned to its target range of 2% to 3% indicating that the inflationary period is coming to an end.

## IV. Promotion of Gender Equality

In its decision dated 16 April 2025, the FWC identified gender-based undervaluation in several classifications across five modern awards.

Upon reviewing these classifications, the FWC identified a program targeted at varying modern award classifications to remedy the gender-based undervaluation. This initiative aims to ensure that female workers receive equal remuneration for work of equal or comparable value.

Making a pivotal step towards eliminating gender inequity, in its decision, the review panel also noted its intention to push forward with the targeted program to review modern award classifications with the goal of eliminating gender based undervaluation.

The review panel further stated that its next priority will be reviewing professional classifications in modern awards, being those in which a university degree is required as a minimum.

These classifications are yet to be reviewed in accordance with the principles that were established on 16 April 2025.

#### V. Key Takeaways for Business

The FWC has determined to significantly increase the national minimum wage rate and the minimum modern award wage rate from 1 July 2025.

In response, businesses will need to review the current remuneration arrangements of their employees to ensure that they continue to comply with their obligations to pay minimum rates of pay.



[MORE INFO](#)

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| Group                       | Obligation  |
|-----------------------------|---|
| Award free employees        | All full-time employees not covered by a modern award or enterprise agreement will, from the first full pay period on or after 1 July 2025, be entitled to a minimum weekly wage for 38 hours of work equal to \$948.00.  |
| Modern Award employees      | From 1 July 2025, any employees covered by a modern award are paid no less than the new modern award wage in respect of the employee's classification under the modern award (this change also includes casual loading and other loadings, penalties, allowances or overtime, which are calculated by reference to the modern award minimum pay rates). |
| Annualised salary employees | <p>The increase may impact whether the annualised salary remains adequate enough to compensate for all of the award entitlements covered by the salary.</p> <p>Business should review annual salary packages of employees who receive "annualised salaries".</p>  |

Businesses also need to bear in mind the increase in the Superannuation Guarantee rate to 12%.

If you require assistance to prepare for the wage variations that will apply to your business from the start of the new financial year, please get in touch with one of our employment law experts.

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