

How to calculate your new minimum wage obligations

By Charles Power

Editor-in-Chief, *Employment Law Practical Handbook*

Last week, Fair Work Australia handed down its first minimum wage decision. It awarded an increase of \$26 to all modern award minimum weekly wages (with proportionate increases in hourly minimum wages and annual salaries).

This means you can now work out precisely what your new minimum wage obligations will be under any applicable modern award. These obligations will apply from the first pay period after 1 July 2010.

Currently, your minimum wage obligations are set by old State awards or other instruments. If that minimum wage obligation for a particular employee is less than the current modern award rates, then your minimum wage obligation after 1 July 2010 may be less than the new modern award rates.

However, if that minimum wage obligation for a particular employee is more than the current modern award rates, then your minimum wage obligation after 1 July 2010 will not be less than the new modern award rates.

For example:

You employ a Level 1 clerical employee with at least 3 years' experience under the Clerks Private Sector modern award. The modern award weekly wage for that employee is \$630 or \$16.58 an hour.

From the first pay period after 1 July 2010, the modern award weekly wage for that employee will increase to \$656 or \$17.26 an hour.

If you are currently paying the employee above the new modern award pay rates, then read no further!

If you are in NSW, your current minimum wage obligation for that employee is the old NSW Clerical Award rate of \$679.30. Because that is more than the current modern award rate, your minimum wage obligation after 1 July 2010 **will not be less than \$656**.

However, in Queensland, your current minimum wage obligation for that employee is the old QLD Award rate of \$602.20. Because that is less than the current modern award rate, your minimum wage obligation after 1 July 2010 **will be less than \$656**.

To calculate how much less, take the following steps:

Step 1: Calculate the transitional amount (this is the difference between the modern award rate (before the national wage increase) and the current minimum wage):

$$\$630 \text{ minus } \$602.20 = \$27.80$$

Step 2: Calculate 80% of the transitional amount:

$$0.8 \times 27.80 = \$22.24$$

Step 3: Deduct the amount calculated in Step 2 from the modern award rate after the national wage increase:

$$\$656 \text{ minus } \$22.24 = \$633.76$$

Therefore, on the first pay period after 1 July 2010, your new minimum wage obligation in QLD for this employee is \$633.76 or \$16.68 an hour.

Remember, this process applies to you even if you have an operative enterprise agreement in place. While the agreement means that the modern award does not apply, the rates in the agreement cannot be less than the minimum wage rate provided for in the modern award.