

# 2026 Annual wage review decision

## FWC increases the national minimum wage and award rates

Australia – June 2026

Under section 285 of the Fair Work Act 2009 (Cth) (FW Act), the Fair Work Commission (FWC) is required to conduct an annual wage review. This year, the review has awarded nearly 3 million Australian workers a wage increase of 4.75%.

This is a significant increase, following the 3.5% increase implemented last July. And despite its sitting well above the current inflation rate of 4.2%, it is considerably lower than the 6% increase that the unions had requested. By comparison, it is significantly higher than the 2% to 3.9% that employers had submitted was an appropriate increase given the current state of the economy.

### Modern award wage review

From 1 July 2026, most minimum wage rates under modern awards will be increased by 4.75%.

This will accordingly increase the pay of 21.1% of Australia's workforce, creating implications for employers across the country.

Additionally, the FWC announced that it will begin phasing out C13 classifications across modern awards, aiming to slowly introduce C12 as the new lowest level of pay. To implement this, all workers on the C13 level will receive the 4.75% increase as well as an extra third of the existing gap between the C13 and C12 rates. This incremental alignment will continue for the next three annual review cycles, until eventually, the gap between C13 and C12 is abolished with C12 becoming the lowest permanent rate.

As for C14 classifications, which are limited to temporary entry-level positions, they will be increased proportionately in line with the changes to the C13 classification – to AU\$25.74 per hour or AU\$978.10 per week. This will occur immediately and not operate under the same phasing process as C13 will.

### National minimum wage (NMW)

From 1 July 2026, the NMW will be AU\$26.44 per hour, or AU\$1004.90 per week. This represents an increase to the NMW of 5.97%.

Practically, the NMW review has limited impact. This is due to the low number of employees who are paid at this level, and therefore this change will not have any "discernible macroeconomic effects", according to the FWC.

However, for employers paying employees at this rate or close to it, it is essential they are aware of this change, as it may cause them to revisit their wages for some employees.

### Reasoning

The FWC acknowledged a "challenging ... degree of complexity" this year. Taking into account an assortment of matters, such as accelerated inflation, partly due to the "wild card of the Middle East conflict" and the Reserve Bank of Australia's "tightened monetary policy", the FWC's hand was forced to close the real wage gap that has continued to widen even following the increase in wages last year.

In bridging this gap, the FWC hopes there to be "some contribution to reducing the gender pay gap", noting that the majority of modern-award-reliant employees are female.

### Predicted impact for employers

While the FWC is aware of the fluctuating economic conditions, it does not consider that the changes to the NMW and modern award wages will be detrimental to productivity, nor so burdensome as to obviously affect employment costs for all employers.

It noted that the highest increased risk would sit with employers in the accommodation and food services industries, due to these sectors' high reliance on modern awards.

Employers should be relieved the 6% sought from the unions did not eventuate, with the FWC deeming it "not ... practicable or responsible" to completely close the current wage gap.

## What do employers need to do now?

From 1 July 2026, relevant employers under the FW Act will need to ensure they are able to implement these changes.

- For employers paying the NMW or covered by an award, it is now time to revisit your current employees' wages to ensure they are aligned with the relevant rate.
- Employers covered by an enterprise agreement need to ensure that any increases to pay rates tied to the NMW or award rate increases are implemented. The base rate in an enterprise agreement is not permitted to fall below the applicable modern award rate.
- These reviews must include an audit of annualised salaries to ensure the salaries are sufficiently absorbing all modern award or enterprise agreement entitlements.

Increases will apply to an employer's pay period starting before or on 1 July 2026. For pay periods that occur after that date, the requirement to pay these rates will commence then.

If you require more information or assistance with implementing this review into practice, please contact our Labour & Employment team.

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