Transitional Provisions for Modern Award Wages

Please find below advice about how to calculate the base rates which are required to be paid under Modern wards from 1 July 2011, taking into account the transitional provisions in those awards and the annual wage review increases which have been granted by Fair Work Australia since the awards commenced.

Formula for Calculating Base Wage Rates

The base rates of pay required to be paid from 1 July 2011 can be calculated using the following method:

Step 1 Identify the Modern Award rate for the relevant classification as at 1 January 2010. This is the Initial Modern Award Rate.

Step 2 Identify the pre-Modern Award rate for the equivalent classification immediately prior to 1 January 2010 (for example, the rate applying under a NAPSA or old Federal award). **This is the Pre-Modern Award Rate**.

Step 3 Calculate the difference between the Pre-Modern Award Rate from the Initial Modern Award Rate. This is the **Transitional Amount.**

Step 4 Calculate 60% of the Transitional Amount. This is the **Proportional Transitional Amount.**

Step 5 Identify the **2010 Annual Wage Review Increase** (which in all cases will be $26.00 per week).

Step 6 Calculate the **2011 Annual Wage Review Increase** (which will be the sum of the Initial Modern Award Rate and the 2010 Annual Wage Review Increase, multiplied by 3.4% and then rounded to the nearest 10 cents).

The next steps vary depending on whether the Initial Modern Award Rate is higher or lower than the Pre-Modern Award Rate and on the quantum of the Transitional Amount. The options are as follows:

Option A If the Pre**-Modern Award Rate is *lower* than the Initial Modern Award Rate**, then:

- Take the Initial Modern Award Rate, subtract the Proportional Transitional Amount and then add the 2010 Annual Wage Review Increase and the 2011 Annual Wage Review Increase.
- The result is the minimum base rate which must be paid from the beginning of the first full pay period on or after 1 July 2011.

Option B If the **Pre-Modern Award Rate is higher than the Initial Modern Award rate and the Transitional Amount is equal to or less than $26.00**, then:

- Take the Pre-Modern Award Rate, and then add the 2010 Annual Wage Review Increase and the 2011 Annual Wage Review Increase.
- The result is the minimum base rate which must be paid from the beginning of the first full pay period on or after 1 July 2011 (but note that no employee should suffer a reduction in take home pay).

Option C If the **Pre-Modern Award rate is *higher* than the Initial Modern Award rate and the Transitional Amount is more than $26.00**, then:

- Take the Initial Modern Award rate, and then add the Proportional Transitional Amount, the 2010 Annual Wage Review Increase and the 2011 Annual Wage Review Increase.

- The result is the minimum base rate which must be paid from the beginning of the first full pay period on or after 1 July 2011 (but note that again no employee should suffer a reduction in take home pay).

We trust that this summary will assist you to understand and apply the relevant transitional provisions in Modern Awards. However, you will appreciate that the transitional provisions are not straightforward, and that calculating the required transitional pay rates can be a time-consuming and complex exercise. If it would be of assistance for us to undertake calculations for any particular awards and/or to review calculations which you have undertaken please let us know and we will be happy to do so.

Ted Davis
Executive Director