

State Wage Case 2026

OUTLINE OF SUBMISSIONS FOR UNIONS NSW

A. Introduction

1. By summons dated 4 June 2026, the Commission directed parties to appear in these proceedings and address three questions. These submissions are directed to the second and third question posed by the summons, being:
 - (a) Whether the Commission ought to determine a paid rates adjustment (**PRA**) for 2026–2027 in accordance with principle 6.3 of the Award Making Principles, and if so what it should be.
 - (b) Whether, having regard to matters raised in the *State Wage Case 2025 (No 2)* [2025] NSWIRComm 33 at [59]–[75] or otherwise, the Commission should vary the Award Making Principles, and if so, in what way.
2. Unions NSW contends that the Commission should determine a PRA increase of 4.5% in accordance with principle 6.3 of the Award Making Principles. Unions NSW does not seek a variation to the Award Making Principles.

B. The operation of Principle 6.3 of the Award Making Principles

3. In the 2025 State Wage Case Unions NSW contended that the PRA should include a 1.5% “catch up” increase. That is, it proposed a 1.5% increase as a first step toward remedying the erosion of the real value of award wages in recent years.
4. The Full Bench accepted, at least at a high level, that the real value of wages for public sector workers have diminished in recent years: *State Wage Case 2025 (No 2)* [2025] NSWIRComm 33 at [46]. However the Full Bench indicated that the PRA mechanism is not the means by which that diminution should be addressed because it “*is intended to be a largely uncontroversial mechanism to maintain rates going forward*” (at [46]). The Full Bench also explained that:
 - (a) the PRA was intended to be a straightforward process whereby a Full Bench receives evidence of changes to the value of money since the previous State Wage Case and government fiscal position and outlook, and then determines a

- PRA (with the application to particular awards to be determined separately having regard to bargaining status (at [41]));
- (b) the Full Bench was concerned to ensure a clear and efficient method by which the PRA may be determined (at [52]); and
 - (c) while proper consideration must be given to all of the mandatory criteria, the starting point for the Commission's decision should be to identify changes in the value of money in the preceding twelve months (at [52]).
5. Unions NSW has reservations about the medium term effects of this approach:
- (a) The approach appears likely over the medium to long term to result in the erosion of the real value of wages to the extent they are fixed by the PRA. This is because increases would not typically be substantially more than the apparent change in the value of money over the previous twelve months, but may be less than that amount having regard to fiscal or other considerations.
 - (b) Experience suggests that arbitrated cases will infrequently be conducted in respect of smaller cohort awards. Experience similarly suggests that bargaining with government is unlikely to result in real wage increases, at least absent major industrial campaigns. It is therefore doubtful whether past erosion in real value of wages, or any future erosion of their value, will as a matter of fact be remediated by means other than the PRA.
 - (c) Because the mechanism is backward-looking, employee wages will necessarily be eroded over the course of each twelve month period, with the PRA resetting the starting point for the continuing erosion.
6. The question which the parties are invited to address, however, is what PRA should be determined pursuant to principle 6.3 of the existing principles. Unions NSW submissions proceed on the premises that those principles will be applied consistent with the approach pronounced in *State Wage Case 2025 (No 2)*. That is to say, this submission proceeds on the basis that the starting point is identification of the change in the value of money since the 2025 decision.

C. Change in the value of money since the most recent wage case

7. The question of the wage increase which was required to maintain the real value of wages between June 2025 and June 2026 was closely examined by an expert panel of the Fair Work Commission in *Annual Wage Review 2026* [2026] FWCFB 3500. Drawing on both the parties' submissions and its own commissioned research, the Expert Panel determined that:
- (a) wage rates for award-reliant employees remain in real terms lower than what they were in July 2021 prior to the post-pandemic spike in inflation;
 - (b) that gap between the rate of CPI and the rate of increase of modern award wages has particularly affected the living standards of the low paid, bearing in mind that the rate of inflation for non-discretionary essential goods and services is higher than the headline CPI rate;
 - (c) the 2025 National Decision involved a real wage increase which narrowed the gap, but the accelerated rate of inflation since then has opened the gap again;
 - (d) for reasons related to the performance of the economy and risks of inflation, the Expert Panel reluctantly determined not to award a real wage increase. However it determined it should award an increase which ensured that award reliant employees are not worse off in real terms than they were at 1 July 2025; and
 - (e) the increase necessary to do so is 4.75%.
8. The most up to date headline CPI figure available to the Expert Panel was March 2026, and was 4.6% and the RBA forecast full year figure was 4.8%. In the event, inflation moderated in the June quarter. The final figures for the financial year included:

CPI—12 months to June 2026, weighted average of capital cities	3.8%
CPI—12 months to June 2026, Sydney	4.0%
CPI—non-discretionary items, Australia	4.0%
Non-tradables inflation (measures the contribution of goods and services most influenced by domestic factors such as housing and education)	4.9%
CPI excluding volatile (fruit, vegetables, automotive fuel) items	4.2%
Employee Living Cost index	3.7%

9. It would be noted that:
- (a) inflation in Sydney was higher than the national weighted average;
 - (b) inflation for non-volatile items (which notably excludes automotive fuel) was higher than headline CPI, and non-tradeables inflation considerably higher. This may imply that inflation in other items was moderated by reduction in fuel prices associated with the temporary cessation of the Middle East conflict; and
 - (c) the Living Cost Index change for the employee category was 3.7%, but was 1.4% and 1.5% in each of the last two quarters respectively.
10. The Full Bench is entitled to conclude that:
- (a) the cost of non-discretionary items in NSW is likely to have increased by more than 4% in the past financial year;
 - (b) inflation is volatile, and forecasts cannot be made with confidence.

D. Government fiscal position

11. The Secretary has filed a considerable volume of evidence. Unions NSW has not yet assimilated the evidence. It appears at first glance that much of the evidence is marginally relevant to the determination of principle 6.3 of the Award Making Principles. However the evidence appears to indicate that:
- (a) government fiscal position and outlook is as sound as it has been in recent memory; and
 - (b) any PRA increase which might realistically be awarded will have negligible budgetary impacts.
12. That being the case, considerations of government fiscal position and outlook weigh in favour of a higher PRA.

E. The National Decision and its application to paid rates awards

13. As noted, the National Decision determined to increase wage rates by 4.75%, being the figure which the Expert Panel considered necessary to maintain the real value of wages over the 12 months to June 2026.
14. Some of the key considerations which the Expert Panel took into account included that:

- (a) until February 2026, most elements of economic and business performance were sound, with healthy economic growth and growth in jobs and hours worked, productivity, and business profits and investment during 2025, while wages growth remained moderate and real unit labour costs did not increase;
 - (b) the disruption to oil supplies consequent on the Middle East conflict accelerated inflation through direct effects on the price of fuel and second round effects on the price of a range of goods and services. Partly for those reasons there was uncertainty about the trajectory of the economy. However economic challenges should not be understated and (for example) RBA and Budget forecasts had not substantially changed because of the conflict;
 - (c) each percentage point increase in modern award wages arising from the Review directly contributes about 0.1 of a percentage point to WPI growth. In circumstances where external factors are currently the prime determinant of the headline CPI, this direct effect on the WPI is unlikely to be sufficient to affect the rate of inflation in an appreciable way;
 - (d) headline CPI in the 12 months to March 2026 was 4.6%, and the RBA forecast for the financial year was 4.8% and the budget forecast 5%;
 - (e) the accelerating rate of inflation and uncertainty about the trajectory of the economy were factors moderating any increase in wages above what was required to maintain real wage levels, and the Panel reluctantly concluded that it should not address the real wage gap at this time; and
 - (f) using the RBA full year forecast of 4.8%, the Panel decided that a 4.75% increase was necessary to maintain the real value of wages.
15. In the event, inflation in the June quarter reduced considerably by comparison to forecasts, and the headline inflation figure as noted was 3.8% overall and 4.0% in Sydney. This is relevant, and a factor which weighs against the adoption of the full 4.75% National Decision increase.
16. At the same time, the anxiety of the Expert Panel about the erosion in the real value of wages should be understood in the context where National Decision increases have in recent years substantially exceeded state wage case increases.

17. In the last four years alone, AWR increases have exceeded state wage increase by 6.8%. From 2019 onward, national decision increases have outstripped stage wage case increases by some 15% (subject to the outcome of this year's review):

Year	SWC				AWR
2019	2.50%				3.00%
2020	0.30%				1.75%
2021	2.04%				2.50%
2022	2.53%				5.20%
2023	4.00%				5.75%
2024	3.75%				3.75%
2025	3.00%				3.50%
2026	-	3.00%	4.00%	5.00%	4.75%
Compound	19.54%	23.12%	24.32%	25.51%	34.20%

18. In order to equal AWR increases over this period, it would be necessary for the Commission to determine a PRA of 12.5. A 3% increase would leave the gap at 11.3%.
19. There is no obvious reason why NSW public sector workers should have received substantially lower pay increases over this period by comparison with federal award reliant workers. The fiscal position of government—by contrast with many federal award reliant industries—has been sound through that period. *Prima facie* the position should be reversed.
20. As things stand, there is no coherence between federal and NSW wage fixation. If the National Decisions are to be treated as relevant, the discordance between national and state outcomes is a factor weighing in favour of a higher PRA.

F. Other factors

21. The obligation to set fair and reasonable award wages for employees weighs in favour of an increase that errs on the upside. Given the erosion of real wage value in recent years, a PRA which slightly exceeded the change in the value of money in the last twelve months would be preferable to the alternative; *a fortiori* in circumstances where labour productivity increased 0.3% in the year to March 2026 (notwithstanding a 0.6% reduction in the March quarter).
22. The terms of the no extra claims provision required, and the consequential inability to close the real wage gap, also weigh in favour of a higher increase.

G. Conclusions

23. The appropriate PRA increase determined pursuant to clause 6.3 of the Award Making Principles, applied consistent with the observations of the Full Bench in *State Wage Case 2025 (No 2)*, is 4.5%. Relevant considerations include the following:
- (a) CPI across Australia was 3.8% for the twelve months since the last PRA, 4% for Sydney and 4% for non-discretionary items;
 - (b) the fiscal position and outlook of government is sound, and a 4.5% increase (or any increase reasonably within contemplation) will have no material impact on that fiscal position and outlook; and
 - (c) the National Decision increase, which was designed only to maintain real value over the past twelve months and included no “*catch up*” component, was 4.75%.

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