

# Dock tax cuts from increase to minimum wage, employers say



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The business lobby will ask the Fair Work Commission to reduce the size of this year's increase to the minimum wage in response to the Albanese government's tax cuts for people on low incomes.

Employers will argue that by keeping [the safety net](#) lift closer to its current level of \$23.23 per hour when it is reviewed in June, the industrial umpire will reduce the need for future rate rises and increase employment.



Prime Minister Anthony Albanese will spruik his tax cuts to Australians this week.*CREDIT: ALEX ELLINGHAUSEN*

On Sunday, Prime Minister Anthony Albanese ruled out further slugging high earners ahead of crucial crossbench negotiations about [his revamped stage 3](#)

[tax cut package](#), and said parliament must choose between a proposal that delivers for all workers and one that leaves the low-paid behind.

After assuring voters he would not touch the Coalition's tax cuts, [Albanese last week announced changes](#) that halved savings for those on salaries of \$200,000 and above, and boosting cuts for those on lower incomes, including reducing the tax rate for those earning up to \$45,000 from 19 to 16 per cent. Australian Industry Group chief executive Innes Willox, whose organisation represents a key voice in the commission's annual decision, said a long-standing feature of the wage review was the consideration of tax changes or other government funding in judging the ability of low-paid workers to meet their needs.

"In this year's wage case, there is an important opportunity for the commission to materially assist in the national effort to reduce inflationary pressures by discounting the [minimum] wage increase it awards by the full extent of the tax cuts announced this week," he said.



Australian Industry Group head Innes Willox wants the tax cuts factored into the minimum wage boost. *CREDIT: ALEX ELLINGHAUSEN*

"With inflation persisting and employment growth stagnating, such a decision would not only take pressure off [the Reserve Bank on the inflation front](#), it

would also underwrite better employment outcomes for employees at risk of unemployment and underemployment.”

The annual full-time pay of a minimum wage earner is almost \$46,000. Under the revised stage 3 plan, they will receive a \$826 tax cut.

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Restaurant and Catering Australia chief executive Suresh Manickam said the peak body would “definitely” factor the tax cuts into its submission – due by the end of March – to Fair Work.

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But ACTU secretary Sally McManus, whose organisation represents the critical worker voice in the annual wage debate, said the cost-of-living “bonus” workers would receive as part of the government’s tax plan would make a real difference to their weekly budgets.

“This shouldn’t be seen as a green light for employers to argue that workers should receive smaller pay rises. It would completely defeat the point of the government’s action to help those who need support the most,” McManus said.

“One in four workers rely on the minimum wage or awards, and the annual wage review is their only opportunity for a pay rise. When workers don’t see progress here, they spend less, and this is bad for the economy and for local business.”

Framing the changes as the government’s response to the cost-of-living crisis, Albanese insisted the tax cuts would not add to inflation, which started outpacing the wage-price index in the 2021 March quarter. Since then, wages have climbed by 8.4 per cent, while inflation has increased by 14.8 per cent.

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Labour economist Mark Wooden, who previously sat on the expert panel for the annual wage review, said he expected the practical effect of the tax changes on Fair Work’s decision to be “nil”, but he predicted unions would use the slated \$4500 tax cuts for those earning more than \$190,000 to push for a bigger rise.

“I think that argument will still be used. They won’t be able to present it quite as forcefully as they would’ve ... now whether the commission actually pays attention to that is another matter,” he said.

EQ Economics managing director Warren Hogan said the tax changes would potentially lessen the increase to the minimum wage, but by a negligible degree.

“They will take it into consideration. It’ll only have one impact directionally, i.e. it will reduce the size of the Fair Work Commission award increase, but it won’t do it by much,” he said, adding that this year’s annual wage increase would nonetheless be a critical moment for the commission.

“The degree of real wage decline over the past 10 years is substantial, and the question is, how quickly does the Fair Work Commission believe we can try and get workers back to where they were in real terms?”



Greens leader Adam Bandt wants the tax-free threshold increased.*CREDIT: ALEX ELLINGHAUSEN*

In a decision celebrated by the government, in June last year Fair Work president Adam Hatcher said the commission’s 5.75 per cent increase to the minimum wage was due partly to the cost-of-living pressures being felt by Australia’s lowest-paid workers.

Albanese on Sunday told Sky News the government had twice backed pay rises for minimum-wage earners. “We’ve seen real wages increasing, and we expect real wages to increase over the coming year. So we want them to earn more and we want them to keep more of what they earn,” he said.

With Greens leader Adam Bandt calling on Labor to increase the tax-free threshold ahead of crossbench negotiations, Albanese said there would be no more reductions to the savings of high earners, and cast those on \$180,000 as members of “middle Australia” who would be better off.

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“We are putting our plan to the parliament, and we are hopeful of getting support,” Albanese said. “And what we’ll also do ... I’ll be in regional Australia and in cities in the coming week. We’ll argue our case. It’s a good case.”

He said the high earners in his Grayndler electorate, in Sydney’s inner west, understood the need for change, and denied [the March 2 byelection in Dunkley](#), a seat in Melbourne’s south-east, played a part in his thinking. Opposition Leader Peter Dutton said the Coalition would look at the details of the government’s changes before deciding how it would vote, but he said Albanese was “obviously in panic mode” ahead of the byelection.

During a press conference in Tasmania, Dutton dialled up his political attack over the changes by accusing the government of abolishing the low- and middle-income tax offset when it came into power.

“People on low and middle incomes now are paying more tax than they were under the Coalition government – that’s important to point out,” Dutton said.

However, it was the Coalition which set the end date for the tax stimulus after extending it during the pandemic.