

Wage Increase Employer Compliance Checklist



Understanding Your Obligations

The Fair Work Commission's 2026 Annual Wage Review has increased minimum wages in Modern Awards by 4.75%, effective from the first full pay period commencing on or after 1 July 2026.

The increase will also affect a range of Award-based entitlements, including allowances, penalty rates and annual leave loading.

This checklist outlines key considerations to help employers prepare for the increase and minimise compliance risks.

How to use this checklist

This checklist provides a practical way to review your organisation's readiness for the annual wage increase and any resulting changes to employee entitlements.

- Work through each section and confirm whether your organisation has addressed the listed action items
- Identify any risks, payroll adjustments or contract reviews that may be required
- Keep records of any reviews, calculations and communications undertaken
- Review payroll settings and employment arrangements before the first full pay period commencing on or after 1 July 2026

This checklist is intended as a general compliance guide only and does not replace tailored legal advice.

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Wage Increase – Employer Compliance Checklist

Compliance Item	Requirement
Review Award Coverage and Employee Classifications	<input type="checkbox"/> Identify which employees are covered by a Modern Award. <input type="checkbox"/> Confirm which Modern Award applies to each employee. <input type="checkbox"/> Review employee classifications to ensure they remain current. <input type="checkbox"/> Consider whether an employee's position has changed recently, as this may affect the classification that applies and the minimum rate of pay. <input type="checkbox"/> Review whether recent Award changes may affect employee classifications. Several Awards have undergone classification changes in recent years, including the: <ul style="list-style-type: none"> • Children's Services Award 2010 • Health Professionals and Support Services Award 2020 • Social, Community, Home Care and Disability Services Industry Award 2010 • Pharmacy Industry Award 2020 • Aboriginal and Torres Strait Islander Health Workers and Practitioners and Aboriginal Community Controlled Health Services Award 2020 <input type="checkbox"/> Confirm that the classification applied at commencement of employment remains correct.
Confirm When the Increase Applies	<input type="checkbox"/> Review the payroll period that covers 1 July 2026. <input type="checkbox"/> Confirm when the first full pay period commencing on or after 1 July 2026 occurs. <input type="checkbox"/> Ensure increased rates are applied from the correct pay period.
Review Employment Contracts	<input type="checkbox"/> Review employment contracts for a clear and unambiguous clause allowing the value of the wage increase to be absorbed into any over-award payment. <input type="checkbox"/> Review any set-off clause and determine what it provides for in relation to passing on or absorbing the increase. <input type="checkbox"/> Where an annualised wage is paid in accordance with an Award, review what entitlements are incorporated into the annualised wage.
Review Over-Award Payments	<input type="checkbox"/> Assess whether the wage increase will be absorbed into existing over-award payments. <input type="checkbox"/> Review how any absorption of the increase will affect existing over-award values.
Review Award-Based Entitlements	<input type="checkbox"/> Review the impact of the wage increase on: <ul style="list-style-type: none"> • Allowances • Overtime rates • Penalty rates • Annual leave loading • Other monetary entitlements arising under the applicable Award
Review Salary Arrangements	<input type="checkbox"/> Assess whether employee salaries remain higher than the relevant Award following the increase to Award classification rates.

Compliance Item	Requirement
Review Salary Arrangements	<input type="checkbox"/> Assessing salary compliance, consider the flow-on impact of increase to: <ul style="list-style-type: none"> • Allowances • Overtime • Weekend and public holiday penalty rates • Annual leave loading • Other Award entitlements <input type="checkbox"/> Determine whether salary adjustments are required.
Review Annualised Wage Arrangements	<input type="checkbox"/> Calculate the value of all entitlements incorporated into the annualised wage, which may include: <ul style="list-style-type: none"> • Ordinary hours • Overtime • Penalty rates • Allowances • Annual leave loading • Other Award-based entitlements <input type="checkbox"/> Confirm the annualised wage remains compliant following the wage increase. <input type="checkbox"/> Adjust annualised wage amounts where required.
Communicate with Employees	<input type="checkbox"/> Consider that employees may already be aware of the increase due to media coverage of the Fair Work Commission's Annual Wage Review decision. <input type="checkbox"/> Consider whether union communications may have already informed employees of the increase. <input type="checkbox"/> Inform employees who will receive a pay increase. <input type="checkbox"/> Where increases will be absorbed into over-award payments, communicate this to employees before the first affected payslip is issued.
Prepare Payroll Systems and Processes	<input type="checkbox"/> Ensure your payroll provider has the information required to implement the increase. <input type="checkbox"/> Where payroll is managed internally, provide updated rates, classifications and instructions to the relevant team members. <input type="checkbox"/> Implement payroll changes with sufficient time to avoid errors and future back-pay obligations.

Need assistance preparing for the upcoming wage increase?

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