FRNSW IRC Decision 14 Aug 2025

It is objectively the case that for most of the period of the wages cap (2011–2023) public sector wages increased in real terms, because the standard increase of 2.5% was, in almost every year from 2011 to 2020, greater than the change in CPI. The result is that, as Mr Houston pointed out, even taking into account the significant inflation in 2021–2023, cumulatively the wages cap produced a (slightly) above inflation outcome. While there has been commentary that the wages cap reduced wages, that is true only in the sense that it generally prevented the Commission from awarding an increase greater than 2.5% to recognise matters such as changes in work value and improvements in productivity.

To the extent that there was a significant reduction in the real value of public sector wages in 2021 and 2022, that was not the result of the wages cap. In 2021, the Full Bench of the Commission awarded a 0.3% wage increase, and in 2022 the parties consented to a 2.04% wage increase. The Full Bench's decision in 2021 was based on evidence of forecasts that inflation would remain low and the significant challenges that COVID-19 created for the economy of NSW and the NSW Government's budget. The Commission thus concluded that there ought to be wage restraint to assist the NSW budget. As it turns out, the inflation forecasts were wrong.

The wage restraint allowed the NSW Government to accumulate significant savings that were to be placed into the "Infrastructure and Job Acceleration Fund" to assist the NSW economy as it recovered from the COVID-19 crisis. **Those sacrifices from workers appear to have had the intended effect. With the benefit of hindsight however, those wage increases were wholly inadequate to maintain the real value of wages.** That is not to say the decisions of the Commission to award those lower increases were wrong. They were mindful of the economic conditions of the time and reflected the evidence of expected inflation that was put before the Commission. The question however arises as to what should be done, if anything, to address the significant fall in real wages that occurred as a result.

As the table above shows, **the Government agreed to a 4% increase in 2023, which resulted in a gain in real wages in that year. However, that change was not sufficient to offset the fall in real wages that occurred in 2021 and 2022.**

Year	Actual and projected Sydney CPI (%)	Increases as occurred and as proposed by Secretary (%)
2020	0.8	2.5
2021	3.1	0.3
2022	7.6	2.04
2023	4.2	4
2024	2.4	3
2025	2.7	3
2026	2.7	3
Total	**23.5**	**17.8**