

New rules for annual wage arrangements

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On 12 February 2020, the Fair Work Commission (the Commission) made [determinations](https://www.fwc.gov.au/documents/sites/awardsmodernfouryr/am201613-schedule-determinations-120220.pdf) (https://www.fwc.gov.au/documents/sites/awardsmodernfouryr/am201613-schedule-determinations-120220.pdf) that added new rules about annualised wage arrangements (also known as annual wage arrangements) in the [Horticulture](http://awardviewer.fwo.gov.au/award/show/MA000028) (http://awardviewer.fwo.gov.au/award/show/MA000028) and [Pastoral](http://awardviewer.fwo.gov.au/award/show/MA000035) (http://awardviewer.fwo.gov.au/award/show/MA000035) Awards and changed the existing rules for the following awards:

- [Banking, Finance and Insurance Award](https://www.fwc.gov.au/documents/documents/modern_awards/award/ma000019/default.htm) (https://www.fwc.gov.au/documents/documents/modern_awards/award/ma000019/default.htm)
- [Broadcasting Award](http://awardviewer.fwo.gov.au/award/show/MA000091) (http://awardviewer.fwo.gov.au/award/show/MA000091)
- [Clerks Award](http://awardviewer.fwo.gov.au/award/show/MA000002) (http://awardviewer.fwo.gov.au/award/show/MA000002)
- [Contract Call Centres Award](http://awardviewer.fwo.gov.au/award/show/MA000023) (http://awardviewer.fwo.gov.au/award/show/MA000023)
- [Hydrocarbons Industry \(Upstream\) Award](https://www.fwc.gov.au/documents/documents/modern_awards/award/ma000062/default.htm) (https://www.fwc.gov.au/documents/documents/modern_awards/award/ma000062/default.htm)
- [Legal Award](https://www.fwc.gov.au/documents/documents/modern_awards/award/ma000116/default.htm) (https://www.fwc.gov.au/documents/documents/modern_awards/award/ma000116/default.htm)
- [Local Government Award](http://awardviewer.fwo.gov.au/award/show/MA000112) (http://awardviewer.fwo.gov.au/award/show/MA000112)
- [Manufacturing Award](http://awardviewer.fwo.gov.au/award/show/MA000010) (http://awardviewer.fwo.gov.au/award/show/MA000010)
- [Mining Award](http://awardviewer.fwo.gov.au/award/show/MA000011) (http://awardviewer.fwo.gov.au/award/show/MA000011)
- [Oil Refining and Manufacturing Award](https://www.fwc.gov.au/documents/documents/modern_awards/award/ma000072/default.htm) (https://www.fwc.gov.au/documents/documents/modern_awards/award/ma000072/default.htm)
- [Pharmacy Award](http://awardviewer.fwo.gov.au/award/show/MA000012) (http://awardviewer.fwo.gov.au/award/show/MA000012)
- [Rail Award](http://awardviewer.fwo.gov.au/award/show/MA000015) (http://awardviewer.fwo.gov.au/award/show/MA000015)
- [Salt Award](http://awardviewer.fwo.gov.au/award/show/MA000107) (http://awardviewer.fwo.gov.au/award/show/MA000107)
- [Telecommunications Award](http://awardviewer.fwo.gov.au/award/show/MA000041) (http://awardviewer.fwo.gov.au/award/show/MA000041)
- [Water Award](https://www.fwc.gov.au/documents/documents/modern_awards/award/ma000113/default.htm) (https://www.fwc.gov.au/documents/documents/modern_awards/award/ma000113/default.htm)
- [Wool Award](http://awardviewer.fwo.gov.au/award/show/MA000044) (http://awardviewer.fwo.gov.au/award/show/MA000044)

The new rules start from the first full pay period on or after 1 March 2020. So for example, if an employee's fortnightly pay starts on Thursday, 27 February 2020, these new rules won't start until Thursday, 12 March 2020.

The Commission also plans to update the following awards with new rules, but hasn't set a timeframe yet:

- [Health Services Award](http://awardviewer.fwo.gov.au/award/show/MA000027) (http://awardviewer.fwo.gov.au/award/show/MA000027)
- [Hospitality Award](http://awardviewer.fwo.gov.au/award/show/MA000009) (http://awardviewer.fwo.gov.au/award/show/MA000009)
- [Marine Towing Award](http://awardviewer.fwo.gov.au/award/show/MA000050) (http://awardviewer.fwo.gov.au/award/show/MA000050)
- [Restaurant Award](http://awardviewer.fwo.gov.au/award/show/MA000119) (http://awardviewer.fwo.gov.au/award/show/MA000119) . [↗](#)

If one of these awards applies to you, [sign up for email updates](http://www.fairwork.gov.au/website-information/staying-up-to-date/subscribe-to-email-updates) (www.fairwork.gov.au/website-information/staying-up-to-date/subscribe-to-email-updates) to get information about your award.

Not sure which award applies? Use [Find my award](http://www.fairwork.gov.au/awards-and-agreements/awards/find-my-award/) (www.fairwork.gov.au/awards-and-agreements/awards/find-my-award/).

On this page, you'll find information about:

- [who the new rules affect](#)
- [what you can include in an annual wage arrangement](#)
- [what type of records are needed](#)
- [how overtime and penalty rates work](#)
- [when an annual reconciliation needs to happen.](#)

Who do the new rules affect?

The new rules affect full-time employees who are paid an annual wage under one of the above awards.

Part-time and casual employees can't have annual wage arrangements under these awards.

Employers can still pay all employees an annual salary without using annual wage arrangements in an award, as long as it covers all of their minimum entitlements. Employers should consider getting independent advice to make sure they're paying their employees enough.

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What can be included in the annual wage arrangement?

Depending on the award, annual wages arrangements can include entitlements such as:

- minimum wages
- allowances
- overtime and penalty rates
- leave loading.

Employers need to make sure their employees' annual wage is high enough to cover the award entitlements that they've included in the arrangement.

An employee's annual wage can't be less than what they would've been paid over the year if they were paid all of their award entitlements for their work.

The awards also have rules about:

- which classifications can be paid an annual wage
- what entitlements can be included in the annual wage
- whether the employer and the employee need to agree to the arrangement.

As each award is slightly different, it's important that you read the annual wage arrangement clause in your award.

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What records do I need?

Employers need to record the annual wage arrangement in writing and give their employees a copy. This has to include:

- the annual wage that will be paid
- which award entitlements are included in the annual wage
- how the annual wage has been calculated, including any assumptions used in the calculation
- the maximum (or 'outer limit') number of penalty hours and overtime hours the employee can work in a pay period or roster cycle without extra payment.

The employer must also record the employee's:

- starting and finishing times
- unpaid breaks taken.

Employees have to acknowledge the record of hours they've worked is correct by signing in writing or electronically at the end of every pay period or roster cycle. This record is used for annual reconciliations.

Use our [Annualised wage arrangement template \(www.fairwork.gov.au/ArticleDocuments/766/annualised-wage-under-awards-template.docx.aspx\)](http://www.fairwork.gov.au/ArticleDocuments/766/annualised-wage-under-awards-template.docx.aspx) to record the details of your annual wage arrangement.

Where the employer and employee need to agree to the arrangement, an annual wage arrangement may end at any time by written agreement between the employer and employee. Otherwise, anyone can end the arrangement by giving 12 months written notice.

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How do overtime and penalty rates work?

A salary doesn't mean an employee misses out on overtime or penalty rates.

An employee's annual wage will generally include an amount for penalty rates and overtime. However, sometimes the annual wage isn't enough if the employee is working extra hours or at times they don't usually work.

If an employee works more than the 'outer limit' of hours in a pay period or roster cycle, they're entitled to be paid at their award overtime or penalty rate.

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When do the annual reconciliations happen?

Employers have to undertake a reconciliation of their employees' annual wages:

- every 12 months after the arrangement starts
- when the arrangement ends, or
- when the employment ends.

Employers have to make sure their employees have been paid at least the same amount they would've been paid under the award if they weren't on an annual wage, for all the hours they worked.

If an employee's annual wage is less than the award payments that they would have received, their employer has to pay them the difference within 14 days.

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More information

Read our updated [Salary payments \(www.fairwork.gov.au/pay/minimum-wages/salary-payments\)](http://www.fairwork.gov.au/pay/minimum-wages/salary-payments) and [Record-keeping \(www.fairwork.gov.au/pay/pay-slips-and-record-keeping/record-keeping\)](http://www.fairwork.gov.au/pay/pay-slips-and-record-keeping/record-keeping) pages.

You can also read more information on the Commission's Annualised salaries [page](https://www.fwc.gov.au/awards-agreements/awards/modern-award-reviews/4-yearly-review/common-issues/am201613-annualised) and access the [determinations](https://www.fwc.gov.au/documents/sites/awardsmodernfouryr/am201613-schedule-determinations-120220.pdf) [varying each award.](https://www.fwc.gov.au/documents/sites/awardsmodernfouryr/am201613-schedule-determinations-120220.pdf)

You can also [subscribe to email updates \(www.fairwork.gov.au/website-information/staying-up-to-date/subscribe-to-email-updates\)](http://www.fairwork.gov.au/website-information/staying-up-to-date/subscribe-to-email-updates) to receive up to date information that interests you.

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