

An employer's guide to annualised wage arrangements in the hospitality and restaurant industries



The Fair Work Ombudsman is committed to providing you with advice that you can rely on.

The information contained in this guide is general in nature. If you are unsure about how it applies to your situation you can call our Infoline on 13 13 94 or speak with a union, industry association or a workplace relations professional.



An employer's guide to annualised wage arrangements in the hospitality and restaurant industries

Who can use this guide?

This guide is for employers under the following awards who want to pay employees an annualised wage under an annualised wage arrangement:

- [Hospitality Industry \(General\) Award \[MA000009\]](#) (the Hospitality Award)
- [Restaurant Industry Award \[MA000119\]](#) (the Restaurant Award)

Examples of the types of businesses covered by these awards include:

- hotels, motels, wine saloons, wine bars, taverns, and casinos – the Hospitality Award
- restaurants, cafes, night clubs, and reception centres – the Restaurant Award.

For full details, see [Who the Hospitality Award covers](#) at fairwork.gov.au/employment-conditions/awards/awards-summary/ma000009-summary and [Who the Restaurant Award covers](#) at fairwork.gov.au/employment-conditions/awards/awards-summary/ma000119-summary

An annualised wage arrangement can be agreed to under the Hospitality Award or the Restaurant Award. It was previously known as an annualised salary under these awards.

The guide does not cover:

- employers and employees covered by awards not listed above (including [the Fast Food Award](#) or other awards with annualised wage arrangement provisions)
- award free employees
- hotel managers engaged within the Managerial Staff (Hotels) classification level under the Hospitality Award (more information is on page 5 of this guide)
- employers and employees covered by [enterprise agreements](#).



REMINDER: The award that covers an employer and some or all of its employees may change if the primary nature of the business changes, or the primary nature of employee duties changes.

Employers should consider which award or awards cover their employees if the business or the employees' work changes. Find more information at [I'm not sure which award covers my business](#).

Why have we created this guide?

From 1 September 2022, there were new annualised wage arrangement clauses in the Hospitality Award and the Restaurant Award. They set out rules about how annualised wage arrangements are set and agreed to, recorded, and reconciled. These replaced the existing annualised salary arrangement provisions in these awards.

The fast food, restaurants and cafes sector is a key industry focus for the Fair Work Ombudsman. We find high levels of non-compliance in this sector, with many requests for assistance coming from vulnerable workers. You can find out more about [our regulatory priorities](#) at fairwork.gov.au/about-us/our-role-and-purpose/our-priorities



REMINDER: This guide does not cover employers and employees covered by the [Fast Food Industry Award 2020](#). The Fast Food Award does not contain specific annualised wage arrangement or salary provisions.

Employers seeking to use such arrangements in this sector should obtain specific legal advice.

What does this guide cover?

This guide includes:

- step by step instructions on setting up an annualised wage arrangement under the Hospitality Award or the Restaurant Award
- information and guidance on monitoring amounts payable to employees and completing reconciliations required under the Hospitality Award or the Restaurant Award
- a template agreement for an annualised wage arrangement for employers using the Hospitality Award or the Restaurant Award provisions
- a checklist to assist employers using the annualised wage arrangement provisions in the Hospitality Award or the Restaurant Award.



IMPORTANT: We regularly review and update our advice and education. Make sure you're using the [latest version of this resource](#) by downloading it at fairwork.gov.au/annualised-salaries

Table of contents

What is an annualised wage arrangement?	4
Annualised wage arrangements under the Hospitality Award and the Restaurant Award	4
Applying annualised wage arrangements.....	5
Step 1: Check what can and can't be included in the annualised wage	5
Step 2: Calculate and set the amount.....	7
Step 3: Make an agreement.....	9
Step 4: Keep records	10
Step 5: Monitor each pay period	11
Step 6: Review and reconcile	12
What if an underpayment occurs?	13
What if an employer doesn't meet their minimum obligations?	14
Need further help?.....	15
Checklist: Annualised wage arrangements under the Hospitality Award or the Restaurant Award...	16
Template: Annualised wage arrangement agreement under the Hospitality Award or the Restaurant Award.....	17

What is an annualised wage arrangement?

An annualised wage arrangement is an agreement with your employee to pay them an annual wage under the terms of their award that is more than the minimum award rate.

Using an annualised wage arrangement is an alternative to calculating and paying an employee's wages based on their hours actually worked (including penalty rates and overtime) in each individual pay period. It is also different to being paid an annual salary under your employment contract. Instead, an annualised wage arrangement means you:

- make a written agreement with your employee to pay them an annualised wage that covers particular entitlements under their award
- pay your employee fixed regular amounts each pay period
- pay your employee amounts owed that are not covered by the annualised wage or are beyond the 'outer limits' of what the annualised wage can cover (see Step 1 below), and
- complete a reconciliation at the end of each 12 months (or earlier if the arrangement or employment ends) to make sure you paid them at least as much as you would have paid them under the award if they weren't on the annualised wage arrangement.



IMPORTANT: Paying an annualised wage doesn't allow you to pay the employee less than what they are entitled to receive under their award.

Annualised wage arrangements under the Hospitality Award and the Restaurant Award

The rules about annualised wage arrangements are set out in:

- clause 24 of the [Hospitality Award](#) – see library.fairwork.gov.au/award/?krn=MA000009
- clause 20 of the [Restaurant Award](#) – see library.fairwork.gov.au/award/?krn=MA000119

Which employees can be on an annualised wage arrangement?

Only full-time employees can enter into annualised wage arrangements under the Hospitality Award and Restaurant Award. Part-time and casual employees can't be put on annualised wage arrangements under these awards.

A full-time employee has to agree to be covered by an annualised wage arrangement – you can't put an employee on one without their agreement.

Managerial staff in hotels

Under the Hospitality Award, the annualised wage arrangements rules do not apply to hotel managers engaged within the Managerial Staff (Hotels) classification level – these employees are covered by different rules in the award called 'salaries absorption'. This guide doesn't cover these arrangements. For more information about setting up salaries absorption arrangements, see clause 25 of the [Hospitality Award](#) at library.fairwork.gov.au/award/?krn=MA000009

Applying annualised wage arrangements

The below steps will help you set, record and reconcile annualised wage arrangements under the Hospitality Award or the Restaurant Award to help ensure you meet your obligations.



Step 1: Check what can and can't be included in the annualised wage

In the Hospitality Award and the Restaurant Award, an annualised wage arrangement can include some or all of the following entitlements:

- the minimum award rates for the employee's classification level
- overtime rates
- penalty rates for early morning, evening, late night, weekend and public holiday work
- annual leave loading
- in the Restaurant Award – the split shift allowance
- in the Hospitality Award –
 - additional public holiday arrangements in [clause 35.3\(a\) of the award](#)
 - the allowances listed in [clause 26 of the award](#).

If you decide not to include any of the above entitlements in the annualised wage arrangement, you will have to pay those entitlements separately as they arise.

Any entitlements not listed above (for example, the meal allowance in the Restaurant Award) cannot be covered by the annualised wage arrangement and will also need to be paid separately.

Outer limits

There are rules about the maximum amount of hours that attract overtime or penalty rates that you can require your employee to work in a roster cycle and include in their annualised wage arrangement. If the employee works beyond these hours you will have to provide them with an additional payment. These are called the 'outer limits'.

Under the Hospitality Award and the Restaurant Award, in any roster cycle an annualised wage can only cover up to the following number of hours:

- an average of 18 ordinary hours per week that attract a penalty rate (except for evening work as defined below)
- an average of 12 overtime hours per week.

Any hours worked in a roster cycle beyond either of these 'outer limits' **are not** covered by the annualised wage and must be separately paid for at the relevant award rate for the pay period they are worked. This applies regardless of how high you set the annualised wage arrangement amount (see [Step 2](#) for more information).

Evening work

Under the Restaurant Award and the Hospitality Award, evening work **does not** count towards the 'outer limit' if the work occurs between:

- 7pm and midnight, Monday to Friday – in the Hospitality Award
- 10pm and midnight, Monday to Friday – in the Restaurant Award.

Time worked by an employee during these hours doesn't count towards the average of 18 ordinary hours per week 'outer limit' (this means no matter how many evening hours the employee works, it doesn't contribute to the 18 hours).

If an employer and employee have agreed that an annualised wage arrangement covers penalty rates for evening work, the employee does not need to be separately paid those penalty rates. However, the employer will need to account for the penalty rates that would have been payable for those hours when completing an annual reconciliation of the arrangement – see [Step 6](#).



CASE STUDY – Evening work doesn't count towards outer limits in Restaurant Award

Ali owns a busy restaurant in a tourist area and is employing a new full-time cook to work in the kitchen. Ali's cooks work on a weekly roster and are paid weekly under the terms of the Restaurant Award. Ali needs them to work:

- 5pm to midnight, Tuesday to Friday
- 1pm to 11pm, Saturday.

Ali offers the new cook an annualised wage arrangement. The annualised wage arrangement will cover overtime, penalty rates (including penalty rates for evening work) and annual leave loading. The annualised wage can cover up to 18 ordinary hours per week that attract a penalty rate, but the 18 hours doesn't include evening work. Under the [Restaurant Award](#), evening work is work between 10pm and midnight, Monday to Friday.

This means for the new cook's annualised wage arrangement, only the 10 hours they'll be working on a Saturday will count towards the 18 hour outer limit cap. The 8 hours they'll work each week between 10 pm and midnight, Tuesday to Friday won't count towards the 18 hours.

If the cook's roster stays the same, Ali won't need to make extra penalty rate payments for the roster cycle in addition to the annualised wage arrangement. This is because the annualised wage arrangement covers both the evening and weekend penalty rates, and the cook's penalty rate hours (excluding the evening work) don't exceed the outer limit cap. Ali will need to account for the penalty rates that would have been payable for those hours when completing an annual reconciliation of the arrangement – see [Step 6](#).



Step 2: Calculate and set the amount

There are rules around how to set an annualised wage for your employee, including a minimum amount you need to pay to have the benefit of an annualised wage arrangement. To avoid owing large shortfalls to the employee at the end of the year, it's also a good idea to set the wage at a level that will cover what you expect your employee would be entitled to receive under their award over a year. We explain this further below.

The annualised wage you set **must be at least 25% higher** than the employee's minimum award wage for their classification under the award.

Calculate the minimum annualised wage

To do this, you need to:

1. consider your employee's duties and experience
2. work out their classification level based on this
3. identify the minimum weekly rate under the award for that classification
4. work out the minimum annualised wage based on the following formula:
 - **apply 25% on top of the weekly minimum wage and multiply by 52.**



Example: Calculating 25% above the weekly wage

For adult employees at a Level 4 classification under the Hospitality Award or the Restaurant Award, the applicable weekly rate from the first full pay period on or after 1 July 2023 is \$995.

For your annualised wage calculations, you would need to apply 25% on top of these rates and then multiply by 52.

$$\$995 \times 125\% \times 52 = \$64,675$$

Remember: Minimum pay rates in the Hospitality Award and the Restaurant Award are reviewed annually by the Fair Work Commission. Get alerts from us about annual minimum wage increases and award changes when they happen by [subscribing to email updates](#) at fairwork.gov.au/emailupdates

Check award rates using our [Pay guides](#) at fairwork.gov.au/payguides

Avoiding large shortfalls

At the end of each 12 months after the annualised wage arrangement starts you must compare the wages you paid with the amount your employee would have been entitled to receive in the same period under the award if not for the annualised wage arrangement.

If there are any shortfalls, you will need to pay them to the employee **within 14 days**.

In setting the annualised wage rate, you should consider the employee's work pattern and other relevant factors (such as peak periods) to minimise potential shortfalls. To do this, you should set a rate that **you expect to be enough** to cover what your employee would otherwise likely be entitled to receive under the award if they weren't on the annualised wage.

You should:

- consider what days and hours your employee will work
- remember to factor in seasonal peaks and any expected overtime, weekend or public holiday work
- check the rules in the award about rostering arrangements including how many days are allowed to be worked consecutively or in a roster cycle
- consider minimum wage increases following annual wage reviews.

Use our [Pay Calculator](#) to help you work out the award wages, penalty rates and allowances for the proposed hours at fairwork.gov.au/pact



CASE STUDY – Setting up an annualised wage arrangement in the Restaurant Award

Jess owns a busy restaurant in a tourist area and is employing a new full-time cook to work in the kitchen. Jess decides paying an annualised wage would work best for her business. She has looked at her budget and worked out an annualised wage amount that she would like to offer the new employee but wants to check if it's enough to meet legal minimums.

Jess checks the [Restaurant Award](#) and confirms it allows annualised wage arrangements. The Restaurant Award says that the annualised wage must be at least 25% above the minimum weekly award wage.

Jess considers the role and identifies the relevant classification in the award and the award entitlements that can be covered by the annualised wage. Jess calculates what the minimum annualised wage amount is by applying 25% on top of the minimum weekly wage, then multiplying by 52.

Jess also looks at her rosters and booking records to determine her restaurant's needs including seasonal peak periods, and when she wants the new employee to work. Jess checks the rules in the award and creates a 4 week roster reflecting the hours for the position to base her calculation of expected annual entitlements on.

Jess then uses the [Pay Calculator](#) at fairwork.gov.au/pact. Jess is able to work out what the employee would be expected to be entitled to over a year under the award if they're not on an annualised wage (including penalty and overtime hours that exceed the 'outer limits', and allowances).

Jess realises that the amount she calculated is higher than the minimum annualised wage of 25% on top of the minimum weekly wage. She decides to pay the employee an annualised wage that reflects the higher amount, which will reduce the potential that she will have to pay extra shortfall amounts at the end of each year that the agreement is in place.

Jess hires Darryl, and they make a written agreement to pay Darryl the offered annualised wage.



IMPORTANT: Even if the amount you set is higher than the minimum annualised wage rate amount calculated using the 25% method, the terms and conditions of the award, and rules for the annualised wage arrangement still apply. This includes that you will need to pay an employee for any hours worked in excess of the outer limits separately at the relevant award rate in the relevant pay period (see [Step 5](#)) and conduct annual reconciliations and pay any shortfall ([Step 6](#)).



Step 3: Make an agreement

An annualised wage arrangement must be agreed to by an employee and employer and the agreement needs to be recorded in writing. At a minimum the written agreement needs to set out:

- the annualised wage
- which award entitlements are satisfied (covered) by the annualised wage (for example, penalty rates, overtime, annual leave loading and allowances)
- the maximum overtime and penalty hours that your employee can be required to work in a roster cycle without being entitled to additional payment (the 'outer limits').

It's also a good idea to include:

- the date the agreement was entered into
- how the annualised wage has been calculated
- information about the records that must be kept by the employer and signed or acknowledged by the employee
- the date/s you will complete a reconciliation
- how the agreement can be terminated by you or the employee.

You need to keep a copy of the agreement as a time and wages record, as well as give a copy to your employee.

If you want to terminate the agreement, you must give 12 months' notice of the termination in writing to the employee. The agreement will cease to operate at the end of the notice period. The same applies to the employee if they want to terminate it.

Or, if you and your employee mutually agree in writing, you can terminate the agreement at any time.



PRACTICAL TIP: Use our [Template: Annualised wage arrangement agreement under the Hospitality Award or the Restaurant Award](#) at the end of this guide to easily create your agreement.



Step 4: Keep records

Even though the amount you pay your employees on an annualised wage arrangement doesn't change each week (unless they work beyond the outer limits or you pay them for entitlements not covered by the annualised wage), you must record their hours.

These records are required and will help you when you need to reconcile your employee's annualised wage at the end of each 12 month period (that is, compare it to what they would otherwise have received under the award).

You **have to keep a record** of:

- your employee's start and finish times each day
- any unpaid breaks they took.

Your employee has to sign or acknowledge these records as correct in writing each pay period or roster cycle. This can be done electronically.

You still need to comply with other record-keeping and pay slip requirements under the Fair Work Act, including for entitlements you pay your employee beyond the outer limits or not covered by the annualised wage arrangement.

Find out more about record-keeping by completing our free [Record-keeping and pay slips online course](#) at fairwork.gov.au/learning and using our [pay slip and record-keeping templates](#) at fairwork.gov.au/templates



CASE STUDY – Record-keeping in the Hospitality Award

Jane is the owner of a hotel. Her employee Priyanka works in the hotel's reception and is covered by the [Hospitality Award](#). Priyanka and Jane agreed on an annualised wage arrangement. Priyanka works on a weekly roster and is paid weekly.

Under the Hospitality Award, Jane can only require Priyanka to work a maximum of 12 hours of overtime per week without Priyanka being entitled to more than the set annualised wage (the outer limit). This outer limit is detailed in Priyanka's annualised wage agreement.

Jane keeps a record of the start and finishing times worked by Priyanka each shift, including the start and finish of her unpaid meal breaks. Jane emails this record to Priyanka at the end of each week and asks her to reply to the email to confirm the hours are accurate.

One week, the hotel has a large conference booking and extra hours need to be worked. At the end of the week, Priyanka has worked 15 hours of overtime – 3 hours more than the outer limit in her annualised wage agreement. Jane pays Priyanka for these 3 hours of overtime at the applicable award rate in the weekly pay cycle, in addition to her usual annualised wage amount.

Jane also keeps records of all of the overtime hours that Priyanka works, as required under the Fair Work Act.



PRACTICAL TIP: A simple way to record your employee's hours is to keep your timesheets or rosters. You should update them to reflect the hours actually worked and any unpaid breaks and have them signed off or acknowledged by your employee at the end of the pay period or roster cycle.

You need to keep time and wages records for all employees for 7 years.



Step 5: Monitor each pay period

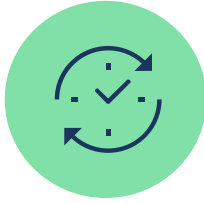
For each pay period you need to pay your employee:

- their annualised wage
- any additional amounts for any hours worked beyond the 'outer limits' for overtime or penalty hours
- any entitlements that are not covered by the annualised wage they are entitled to for the pay period.



PRACTICAL TIP: It's a good idea to take this opportunity to check your records to identify if there is a difference between what the employee was paid under the annualised wage arrangement and what they would have been entitled to under the award for the period.

While you don't need to address any shortfalls now (provided that you have separately paid your employee any additional amounts or entitlements that are not covered by the annualised wage), it's a good idea to make a note of differences – you can use this information to help you complete your reconciliation at the end of 12 months and forecast and plan for any potential shortfalls.



Step 6: Review and reconcile

Business requirements can change and the hours your employees work may vary throughout the year. You need to reconcile annualised wage payments to account for this and to make sure that your employee receives at least their minimum entitlements under the award for their work over the year.

Reconcile at least annually, or sooner if the annualised wage arrangement or employment ends.

You need to conduct a reconciliation to check if your employee has been paid at least as much as their award wages would have been for their work covered by the annualised wage.

Annually means 12 months from the date the annualised wage arrangement commenced.



IMPORTANT: You need to complete this step regardless of how high you set the annualised wage amount at the start of the arrangement.

If an annualised wage arrangement is terminated (either because you or the employee had given notice, or you both agreed to end the arrangement), or the employee stops working for you, you must also undertake this reconciliation. In this case, the reconciliation must cover the period the annualised wage arrangement was in place since the previous reconciliation period, or since it began if you are within the first year of the arrangement.

Every time you reconcile, you need to:

1. Calculate what your employee would have been entitled to if they weren't receiving an annualised wage for the period (including minimum award rates, penalty rates, overtime, and allowances that are covered by the annualised wage).
 - You do not need to include any entitlements that are **not** covered by the annualised wage arrangement, that you have been separately paying throughout the period as they arise (that is, work performed outside the outer limits or entitlements not covered by the annualised wage arrangement).
2. Compare the amount they were actually paid (that is, the annualised wage amount) with what you've calculated in Step 1.

If the employee's annualised wage is equal to or higher than what they would have otherwise been entitled to receive under the award, you've met the minimum annualised wage amount requirements under the award.



IMPORTANT: If an annualised wage arrangement results in an employee being paid more than they would have been entitled to receive under the award, it's not an overpayment and your employee doesn't have to pay you back the difference.

What if there is a shortfall?

If there is any shortfall (meaning you paid them less than what they would have been entitled to under the award for the period), you have to pay your employee the shortfall amount **within 14 days of completing the reconciliation**.



PRACTICAL TIP: It's easy to keep up to date with changes in your industry by [registering for My account](https://www.fairwork.gov.au/register) at [fairwork.gov.au/register](https://www.fairwork.gov.au/register) – you'll get personalised updates if pay rates change.



CASE STUDY – Reconciliation in the Restaurant Award

Kelso is the owner of a restaurant. He employs 4 full-time chefs on annualised wage arrangements under the [Restaurant Award](#). The annualised wage amounts are calculated on the basis of a 38 hour work week, including 10 ordinary hours of work that attract penalty rates, plus an additional 4 hours of expected overtime per week.

After a few months, Kelso's business picks up and he sometimes needs his chefs to work both Saturdays and Sundays. Over a period of 12 months, Kelso's chefs work some early mornings that attract penalty rates, as well as some Saturdays and Sundays, including overtime. Their ordinary hours of work that attract penalty rates, and overtime hours, are still under the outer limits (an average of 18 hours and 12 hours per week over the roster cycle respectively), so Kelso doesn't have to pay additional amounts each pay cycle.

After the first 12 months the annualised wage arrangements are in place, Kelso conducts his regular annualised wage reconciliation. He calculates the amounts the chefs would have been entitled to under the award by multiplying the hours worked on their timesheets by the relevant award pay rates, including any penalty and overtime rates that applied using the FWO's [Pay Calculator](#) at [fairwork.gov.au/pact](https://www.fairwork.gov.au/pact). He then compares this figure to the amount actually paid to his employees. Kelso realises they have been paid less than what they would have been entitled to receive under the award for their work over the year, as he hadn't considered the increased hours of work that attracted penalty rates when he did the original salary calculation. He pays the affected employees this shortfall amount within 14 days.

Kelso also reviews and updates his written annualised wage arrangements with his employees' agreement in light of the restaurant's changed operating hours and needs, to reduce any such shortfalls in the next year.

What if an underpayment occurs?

Where there is an annualised wage arrangement, underpayments can occur if you don't pay your employee:

- the hours they've worked beyond the outer limits (which need to be paid in full each pay period)
- any entitlements that are not covered by the annualised wage arrangement (which need to be paid in full each pay period), or
- if you identify shortfalls when you complete the reconciliation, the shortfall amount within 14 days.

If an employer hasn't paid an employee all of their pay and entitlements when they were required to, they need to back-pay all of their outstanding pay and entitlements as soon as possible.

Fixing it quickly and getting it right in future is important. Not following the law can lead to serious penalties.

If there is an underpayment, read our [step by step guide on how to fix an underpayment](#) to help you audit your pay records during the underpayment period and calculate what you need to back-pay. Visit fairwork.gov.au/how-to-fix-an-underpayment

You will most likely also have to pay additional tax and superannuation that your business was supposed to have paid during that time.



PRACTICAL TIP: Be ready for future pay increases by checking the employment classifications in relevant awards and noting any other types of pay changes. Get alerts from us about annual minimum wage increases and award changes when they happen by [subscribing to email updates](#) at fairwork.gov.au/emailupdates

What if an employer doesn't meet their minimum obligations?



Employers face potential consequences if they don't comply with their obligations

This can include legal proceedings resulting in penalties, and brand and reputational damage.

An employer can be penalised by a court if the court determines that they've broken a workplace law.

A court can impose penalties for certain underpayment and record-keeping contraventions of the Fair Work Act or of a Fair Work instrument. These can be up to:

- \$18,780 per breach for an individual
- \$93,900 per breach for a company with less than 15 employees
- \$469,500 per breach for a company with 15 employees or more.

Higher amounts can apply if it is a 'serious contravention'.

A person involved in a contravention of a civil remedy provision (like a director or manager) can also be ordered by a court to pay penalties and any unpaid entitlements.

Note: Penalty amounts increase regularly. You can find more information about [current maximum amounts](#) at fairwork.gov.au/litigation

We (the Fair Work Ombudsman) are responsible for promoting compliance with Australian workplace laws and educating about rights and responsibilities at work. If we find that a workplace law has been broken, there are a number of things we can do. This includes using enforcement tools such as compliance notices, infringement notices, enforceable undertakings or commencing legal proceedings.

Read more in our [Compliance and Enforcement Policy](#) at fairwork.gov.au/compliancepolicy



Example: Restaurant operators penalised \$204,120

An employer operating a restaurant was fined \$170,100 for underpaying 40 employees and breaching the Restaurant Award for paying flat hourly rates lower than minimum hourly rates and not undertaking required reconciliations for full-time annualised salary employees. The business also failed to:

- pay the correct overtime and penalty rates
- provide required breaks
- keep the required pay and time records.

The director of the business was fined \$34,020 for their involvement in the contraventions of the Fair Work Act and the Restaurant Award. For more information see our [Newsroom](#) at fairwork.gov.au/newsroom

Need further help?

- Use our [Template: Annualised wage arrangement agreement under the Hospitality Award or the Restaurant Award](#) at the end of this guide to easily create your agreement
- Use our [Checklist](#) at the end of this guide to help set up and reconcile your arrangements
- Check out our [Record-keeping and pay slips online course](#) at fairwork.gov.au/learning
- Use our [pay slip and record-keeping templates](#) at fairwork.gov.au/templates
- Use our [Pay Calculator](#) for help with pay rates and reconciling rosters at fairwork.gov.au/pact
- Your [industry or business association](#) can also provide you with tailored advice and assistance – find a list at fwc.gov.au/registered-organisations/find-registered-organisation

CONTACT US

Fair Work online: fairwork.gov.au

Fair Work Infoline: **13 13 94**

Need language help?

Contact the Translating and Interpreting Service (TIS) on **13 14 50**

Help for people who are deaf or have hearing or speech difficulties

You can contact us through the National Relay Service (NRS).

Select your [preferred access option](#) and give our phone number: **13 13 94**

The Fair Work Ombudsman is committed to providing you with advice that you can rely on. The information contained in this fact sheet is general in nature. If you are unsure about how it applies to your situation you can call our Infoline on 13 13 94 or speak with a union, industry association or a workplace relations professional.

Last updated: April 2024

© Copyright Fair Work Ombudsman

Checklist: Annualised wage arrangements under the Hospitality Award or the Restaurant Award



Step 1: Check what can and can't be included

- Check** what entitlements can be included in the annualised wage (and what can't) and make sure you know the 'outer limits'
- Decide** what entitlements you want the annualised wage to include – any entitlements which aren't included will have to be paid to an employee separately.



Step 2: Calculate and set the amount

- Calculate** an annualised wage amount that is at least 25% above the weekly wage for your employee's classification multiplied by 52
- To minimise the potential for shortfalls at the end of the year**, you should consider setting a higher annualised wage amount that takes into account:
 - the classification and work pattern
 - seasonal peaks and any expected overtime, weekend, or other penalty rate work
 - minimum wage increases following annual wage reviews
 - any other relevant factors.



Step 3: Make a written agreement

- Seek your employee's agreement** to pay them an annualised wage
- Put your annualised wage agreement in writing.** Make sure it meets all the relevant requirements – use our [Template: Annualised wage arrangement agreement under the Hospitality Award or the Restaurant Award](#)
- Give a copy** of the written agreement to your employee and **keep a copy** as a time and wage record.



Step 4: Keep records

- Record** start and finish times as well as any unpaid breaks and get your employee to sign (or give a written acknowledgement of) the record each pay period or roster cycle
- Make and keep other records** required under the Fair Work Act.



Step 5: Monitor

- Pay your employee each pay period** their annualised wage, and any additional amounts for any hours worked in excess of the outer limits, and any entitlements not covered by the annualised wage arrangement.



Step 6: Review and reconcile

- Register** for [My account](#) to get notified of any changes in your industry at fairwork.gov.au/register
- Reconcile** the annualised wage arrangement every 12 months from the date the arrangement commenced (or at the end of the employee's employment or the annualised wage arrangement being terminated even if it's less than 12 months)
- Pay any shortfall within 14 days.** Use our [Pay Calculator](#) to help calculate your employee's award wages at fairwork.gov.au/pact

Template: Annualised wage arrangement agreement under the Hospitality Award or the Restaurant Award



IMPORTANT:

This template can help you create a written annualised wage arrangement agreement with your employee in accordance with [Step 3](#). Creating a written agreement is just one of the requirements that apply to an annualised wage arrangement.

This template has been colour coded to help you to complete it accurately. You simply need to replace the **red < > writing** with what applies to your employee and situation.

Explanatory information is shown in **purple writing** to help you and **should be deleted once you've finished**.

This template includes the minimum information that is required to be set out in an annualised wage arrangement under the Hospitality Award or the Restaurant Award. **You still need to make sure that you meet all of your other obligations under workplace laws.**

Use of this template is not a guarantee that your annualised wage arrangements will comply with all of your obligations, including paying your employees correctly. If you are unsure whether you are meeting your obligations, you can call our Infoline on 13 13 94 or speak with an industry association or a workplace relations professional.

<Print on your business letterhead if applicable>

<Date>

Private and confidential

<Insert employee's full name>

<Insert employee's residential address>

Annualised wage arrangement agreement

Employer's details

Name:	<input type="text"/>
ABN/ACN:	<input type="text"/>
Address:	<input type="text"/>

Employee's details

First name:	<input type="text"/>
Last name:	<input type="text"/>
Position:	<input type="text"/>

Annualised wage details

Award name:	<Hospitality Industry (General) Award [MA000009] / Restaurant Industry Award [MA000119]>
Annualised wage arrangements clause number:	<24 / 20>
Classification:	
Minimum weekly award rate for this classification:	\$
Estimated yearly wage including all award entitlements:	\$
Agreed annualised wage amount:	\$
To be paid in <weekly/fortnightly/monthly> amounts of:	\$

This annualised wage is at least 25% above the minimum weekly award rate multiplied by 52.

This annualised wage arrangement is intended to cover the following provisions of the award.

[Explanatory information – please delete once you have finished the record.]

Tick all boxes that are appropriate and add the required details to ensure the arrangement is understood by all parties (for example, if you tick the ‘allowances’ box you need to explain what allowances are and aren’t covered including the relevant award clause number).]

Entitlement	Award clause number	Entitlement details
<input type="checkbox"/> Minimum weekly wages (for 38 hours)		
<input type="checkbox"/> Allowances		
<input type="checkbox"/> Overtime		
<input type="checkbox"/> Penalty rates – Saturday, Sunday		
<input type="checkbox"/> Penalty rates – Public holidays		
<input type="checkbox"/> Penalty rates – other times		
<input type="checkbox"/> Annual leave loading		
<input type="checkbox"/> [For the Hospitality Award only] Additional public holiday arrangements		

This annualised wage arrangement doesn’t cover work performed in excess of the outer limits.

The outer limits are, in any roster cycle, an average of:

- up to 18 ordinary hours per week that attract a penalty rate (excluding hours worked from (10pm to midnight, Monday to Friday for the Restaurant Award / 7pm to midnight, Monday to Friday for the Hospitality Award) or
- up to 12 overtime hours per week.

Any hours worked in excess of either of the above ‘outer limits’ will be separately paid for at the relevant award rate. Hours worked from (10pm to midnight, Monday to Friday for the Restaurant Award / 7pm to midnight, Monday to Friday for the Hospitality Award) do not count towards the 18 hours that make up penalty rates outer limit.

Method by which the annualised wage has been calculated

Show how you have calculated the annualised wage amount. Include a breakdown of each separate component of the annualised wage and any overtime or penalty assumptions used in the calculation.

For example, you might like to show a breakdown of all the individual entitlements the employee would receive in an average 4-week period based on their usual roster, then multiply this to get an annual figure. Be sure to factor in any possible variations to the roster, for example seasonal factors.

Agreement terms

The parties acknowledge that the annualised wage covers the award provisions indicated above.

However, if the amount paid is not enough to satisfy all of the award provisions throughout the period of operation of this agreement, the shortfall will be paid to the employee as set out below.

The annualised wage also does not cover work performed in excess of either of the outer limits and any entitlements not listed above as covered by this arrangement. Entitlements in relation to such work will accrue and be paid in full separately under the award in each pay period.

The employer must complete and keep records showing the employee's start and finish times and any unpaid breaks each shift. The employee must sign or acknowledge in writing that these time records are correct each pay period or roster cycle.

The employer will provide these records <electronically/by hand>.

The employer will use these time records to review the annualised wage at least each 12 months from commencement of this agreement (or when the employee's employment or this agreement ends) to ensure that the amount paid to the employee adequately compensates for the award entitlements specified in the table.

If the amount paid is not enough to satisfy all of the award entitlements indicated above, the shortfall will be paid to the employee. **The employer will pay the employee any shortfall within 14 days of conducting the review.**

Period of operation

This agreement starts on the pay period commencing: ___ / ___ / _____

This agreement is due to be reviewed and reconciled on: ___ / ___ / _____

Signed

Signature of employee: _____ Date: ___ / ___ / _____

Name of manager/supervisor: _____

Signature of manager/supervisor: _____ Date: ___ / ___ / _____