



Australian Government

# WorkChoices

## **The Australian Fair Pay Commission (Fair Pay Commission)**

Under WorkChoices, the Fair Pay Commission is responsible for setting and adjusting minimum wages and casual loadings for employees in the federal workplace relations system. This includes:

- the Federal Minimum Wage (FMW);
- classification-based wages in Australian Pay and Classification Scales (APCSs), including basic piece rates of pay for piece workers; and
- casual loadings.

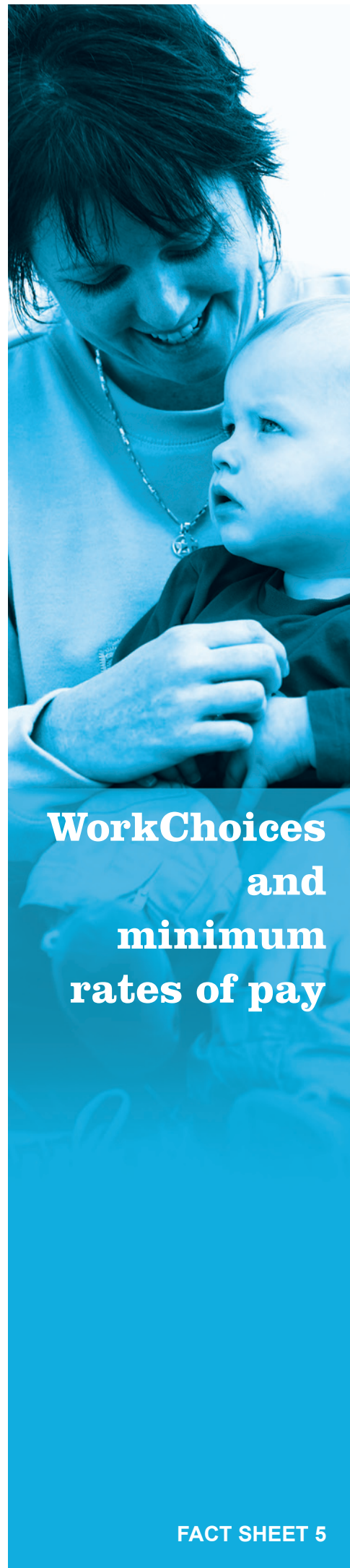
The Fair Pay Commission can also set special FMWs for juniors, trainees and apprentices (including school-based apprentices) and employees with disabilities.

The Fair Pay Commission decides the timing, scope and frequency of wage reviews, the manner in which wage reviews are conducted, and when wage decisions come into effect. The Fair Pay Commission is independent of the Government.

In setting wages, the Fair Pay Commission must promote the economic prosperity of the people of Australia, while taking into account a number of factors such as the needs of the low paid and unemployed.

## **Australian Pay and Classification Scales**

Under WorkChoices, minimum wages for employees covered by the federal system are no longer included in awards. Minimum wages are instead protected in APCSs, which form part of the Australian Fair Pay and Conditions Standard (the Standard).



**WorkChoices  
and  
minimum  
rates of pay**

There will be a small number of employees who will have their minimum wages and casual loadings set by 'transitional awards' for a period of up to five years. For employers in the federal system who are not covered by WorkChoices (e.g. employers who are not constitutional corporations) their current awards will continue as 'transitional' awards. The transitional awards will operate for a period of five years to allow employers to decide whether to remain in the federal system (by incorporating as a trading or financial corporation), or move to a state system. For employers and employees from the state systems who are entering the new federal system for the first time, their state award and applicable state or territory laws will become a 'notional agreement preserving a State award' (NAPSA) in the federal system on commencement of WorkChoices.

For more information about transitional awards refer to the 'WorkChoices and federal awards and agreements' and 'WorkChoices and state awards and agreements' fact sheets.

APCSs also include provisions that determine coverage (i.e. who is bound) and provisions that determine an employee's job classification. For example, describing the skill level, duties and qualifications required for a particular job classification.

APCSs may also include arrangements for the payment of wages.

### **Guaranteed basic rates of pay**

Each classification under an APCS has a matching basic rate of pay. This may be a basic periodic rate of pay (i.e. basic hourly rate of pay) or a basic piece rate of pay (i.e. payment based on the amount produced). A basic rate of pay does not include incentive-based payments and bonuses, loadings, monetary allowances, penalty rates or any other similar entitlements.

Awards and agreements may provide for the payment of penalty rates or overtime loadings.

Every employee covered by the Standard is guaranteed the relevant basic rate of pay in their APCS (if any). Employees who are not covered by an APCS (other than juniors, employees subject to training arrangements and employees with disabilities) must be paid at least the FMW, which on commencement of WorkChoices is set at \$12.75 per hour.

Employees covered by workplace agreements must be paid at least their guaranteed basic rate of pay under the Standard. An employee's guaranteed basic rate of pay can not fall below the rate the employee would have been entitled to under an award immediately before the commencement of WorkChoices.

An employee's basic rate of pay provided for in an APCS cannot fall below the relevant FMW at any time after the Fair Pay Commission's first wage-setting decision takes effect.

### **Guaranteed basic weekly payment**

Full-time and part-time employees engaged to work a specified number of hours per week are guaranteed a basic weekly payment based on those hours. Payment for public holidays at the relevant basic rate is also guaranteed for these employees.

Employees who are not engaged to work specified hours per week (e.g. casual employees) are guaranteed to be paid their base rate for each hour they work.

### **Casual loadings**

Casual employees are generally compensated through a casual loading on top of their hourly rate of pay, as they are not entitled to be paid annual leave or paid personal/carer's leave under the Standard.

Casual loadings operate as part of the Standard. Under the Standard, casual employees covered

by casual loading provisions in an APCS are entitled to the relevant casual loading percentage of their actual basic rate of pay.

An employee's casual loading entitlement cannot fall below the loading the employee would have had under an award immediately before the commencement of WorkChoices.

Employees covered by the FMW or a special FMW are entitled to the 'default' casual loading (which on commencement of WorkChoices is set at 20 per cent).

Casual employees covered by a workplace agreement are also entitled to (at least) the 'default' casual loading. Casual employees may negotiate a higher casual loading with their employer.

## Frequency of payment

The Standard guarantees frequency of payment of wages according to the provisions of a relevant APCS, workplace agreement or contract of employment.

If there is no relevant provision, employees are guaranteed payment of wages on a fortnightly basis in arrears.

### Victoria

Arrangements for Victorian employers and employees are further explained in the 'WorkChoices and Victoria' fact sheet.

## More information

For more information visit the Fair Pay Commission website at [www.fairpay.gov.au](http://www.fairpay.gov.au).

WorkChoices is a new system of workplace relations legislation that covers up to 85 per cent of Australian employees. This series of fact sheets is available to assist workers and employers to understand their rights and obligations under the legislation.

For more information call the **WorkChoices Infoline** on **1300 363 264** or visit the **WorkChoices** website **[www.workchoices.gov.au](http://www.workchoices.gov.au)**



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