

Annual salary or annualised wage?

They sound similar — but for award-covered employees, the difference matters.



Annual salary

SET BY THE EMPLOYMENT CONTRACT

Can compensate ordinary hours **plus** specified award entitlements, such as:

- Overtime
- Penalty rates
- Allowances
- Annual leave loading

The contract should clearly identify which entitlements the salary covers.



Annualised wage

SET BY AN AWARD OR ENTERPRISE AGREEMENT

Operates under specific provisions. Depending on the instrument, employers may need to:

- ✓ Document how it was calculated
- ✓ Identify the award entitlements included
- ✓ Specify overtime / penalty hour limits
- ✓ Record hours worked
- ✓ Reconcile regularly and pay any shortfall

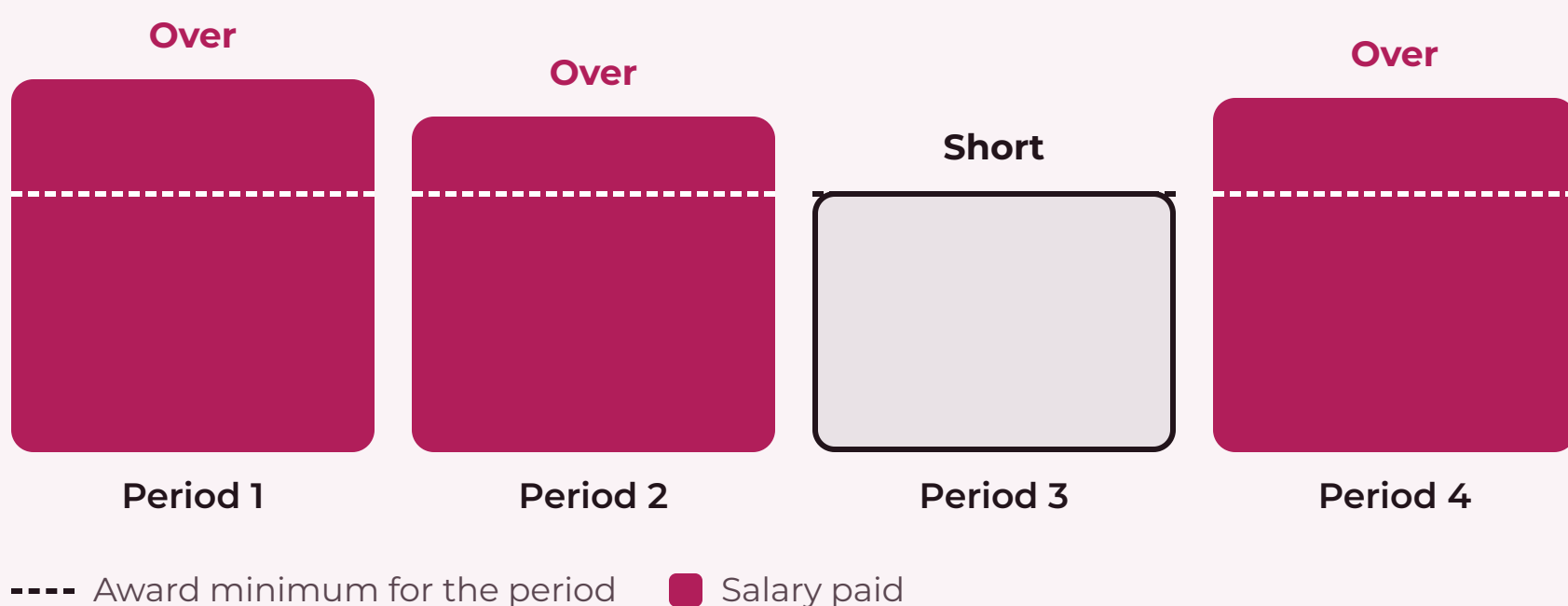


Paying well above the award over a year does not necessarily protect an employer from an underpayment claim.

WHY THIS MATTERS

The Woolworths and Coles decision changed the risk

The Federal Court's decision significantly changed the risk of contractual salary arrangements. For award-covered employees, each pay period must stand on its own.



An overpayment in one pay period generally **can't offset** an underpayment in another. The salary for each period must meet that period's award obligations.

Employers using annual salaries may need to closely monitor hours, overtime, penalty rates and allowances **every pay cycle**.

REVIEW CHECKLIST

Salaried award employees? Now's the time to review:

- 1 The employee's award and classification
- 2 What the salary clause actually covers
- 3 Hours and attendance records
- 4 Whether the salary meets award entitlements each pay period
- 5 Whether an annual salary is still the best arrangement

A salary doesn't remove award obligations.

Employers still need to demonstrate employees have received their minimum entitlements.

Need help reviewing your salary arrangements? Our team can assist with award coverage, classifications, employment contracts and payroll compliance.