EXPLANATORY STATEMENT

Select Legislative Instrument 2006 No. 341

Issued by the authority of the Minister for Employment and Workplace Relations

Subject - Workplace Relations Act 1996

Workplace Relations Amendment (Work Choices) Act 2005

Workplace Relations Amendment Regulations 2006 (No. 5)

Subsection 846(1) of the *Workplace Relations Act 1996* (the Act) provides that the Governor-General may make regulations, not inconsistent with the Act, prescribing all matters required or permitted by the Act to be prescribed, or necessary or convenient to be prescribed for carrying out or giving effect to the Act. Additional relevant details of the regulation-making powers under the Act are set out in Attachment A.

While the *Workplace Relations Regulations 2006* (the Principal Regulations) were made under both the WR Act and the *Workplace Relations Amendment (Work Choices) Act 2005* (the Work Choices Act), these amendments relate only to matters under the WR Act.

The purpose of these Regulations is to amend the Principal Regulations relating to leave entitlements, wage agreements and instruments, the disclosure of information, and entitlements to transfer to a safe job or to take paid leave. These amendments are outlined in Schedules 1 and 2 to the Regulations.

The Regulations are consequential to the *Workplace Relations Legislation Amendment (Independent Contractors) Bill 2006* receiving Royal Assent.

Part 1 of Schedule 1 to the Regulations inserts a new Example 2 following subregulation 7.1(3) of Chapter 2 of the Principal Regulations relating to wage agreements and instruments. Example 2 illustrates how the Australian Fair Pay and Conditions Standard (the Standard) may be more or less favourable, for an employee who is guaranteed a basic hourly rate of pay, but is paid instead by commission.

Part 2 of Schedule 1 to the Regulations relates to the disclosure of protected information that may identify a person as being a party to an Australian Workplace Agreement (AWA) and the disclosure of information by workplace inspectors. The provisions permit disclosure of information:

- where the information is already in the public domain;
- where the information relates to court proceedings initiated by workplace inspectors; or

• to the Minister, or the Secretary or other employees performing duties in the Department of Employment and Workplace Relations, in order to provide assistance or advice to that person.

Part 3 of Schedule 1 to the Regulations makes a technical amendment to existing provisions that exclude certain entitlements under the Standard from the 'more generous' comparison with preserved award terms for Victorian employees.

- Terms in transitional awards that bind Victorian employers and employees about parental leave (as well as those about annual leave and personal/carer's leave) are preserved. Preserved transitional award entitlements continue to apply if they provide an employee with a more generous amount of leave than the Standard.
- The Act enables regulations to be made to exclude certain entitlements under the Standard from the 'more generous' comparison with preserved award terms (the effect of which is that these entitlements under the Standard apply irrespective of the outcome of the more generous test).
- One of the entitlements in respect of which such regulations can be (and have been) made is the entitlement under section 268 of the Act for a pregnant employee to be transferred to a safe job, or to take paid leave if a safe job is not practicable. As currently drafted, the regulations only refer to the entitlement to take paid leave, and not the entitlement to transfer to a safe job.

The effect of the amendment is that a pregnant employee's entitlement to be transferred to a safe job (as well as the entitlement to paid leave if transfer to a safe job is not reasonably practicable) is excluded from the more generous comparison.

Schedule 2 to the Regulations makes a number of amendments to the Principal Regulations relating to leave entitlements for the purposes of the Act. The key provisions:

- amend the 'more favourable' and prohibited content regulations following recent amendments to the Act that enable an employee to cash out an amount of paid personal/carer's leave, provided that a minimum of 15 days leave remains available after cashing out (section 245A); and
- provide a formula for the calculation of leave payment rates for piece rate employees.

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- provide a formula for the calculation of leave payment rates for piece rate employees.

The changes to the regulations are minor, or consequential on changes made to the Workplace Relations Act 1996 by the *Workplace Relations Legislation Amendment* (*Independent Contractors*) *Bill 2006* which passed the Parliament on 4 December 2006.

Details of the Regulations are outlined in Attachment B.

The Regulations are a legislative instrument for the purposes of the *Legislative Instruments Act* 2003.

Regulations 1, 2, and 3 and Schedule 1 to the Regulations commence the day after they were registered.

The amendments set out in regulation 4 and Schedule 2 to the Regulations commence immediately after the commencement of the amendments in Schedule 1 to the *Workplace Relations Amendment Regulations 2006 (No.4)*. This is necessary because paragraph 7.1(6)(da) of Chapter 2 of the Principal Regulations is being amended by both instruments, and the amendments have to occur sequentially, not concurrently.

Details of regulation making powers under the Workplace Relations Act 1996

Paragraph 165(1)(e) of the *Workplace Relations Act 1996* (the Act) provides that regulations may be made to require or permit protected information to be disclosed.

Subsection 170(3) of the Act provides that regulations may authorise workplace inspectors to disclose information of a prescribed kind, to officers of the Commonwealth of the prescribed kind, for prescribed purposes.

Subsection 172(4) of the Act provides for the making of regulations that prescribe circumstances in which the Australian Fair Pay and Conditions Standard (the Standard) provides or does not provide a more favourable outcome for an employee in a particular respect.

Sections 231, 243 and 264A of the Act provide for the making of regulations prescribing a different definition of *basic periodic rate of pay* for piece rate employees for the purpose of annual, personal/carer's and parental leave respectively.

Section 356 enables regulations to be made that specify matters that are prohibited content for the purposes of the Act.

Subclauses 77(3) and 97(4) of Schedule 6 to the Act enable regulations to be made that exclude certain specified entitlements under the Standard from the 'more generous' comparison with preserved award terms.

Details of the Workplace Relations Amendment Regulations 2006 (No)

Regulation 1 – Name of Regulations

This regulation provides that the title of the Regulations is the *Workplace Relations Amendment Regulations 2006 (No. 5)*.

<u>Regulation 2 – Commencement</u>

Paragraph (a) of this regulation provides that regulations 1, 2 and 3 and Schedule 1 commence the day after registration.

Paragraph (b) of this regulation provides that regulation 4 and Schedule 2 commence immediately after the commencement of Schedule 1 to the *Workplace Relations Amendment Regulations 2006 (No. 4)*. Item [302] of Part 3 to Schedule 1 of *Workplace Relations Amendment Regulations 2006 (No. 4)* amends paragraph 7.1(6)(da) of Chapter 2 of the Principal Regulations by inserting a reference to new subregulation 7.1(11G), which provides that personal/carer's leave may be taken at half pay.

Item [1] of Schedule 2 to these Regulations also amends paragraph 7.1(6)(da) of Chapter 2 of the Principal Regulations and these changes have to occur sequentially, not concurrently.

Regulation 3 – Amendment of Workplace Relations Regulations 2006

This regulation provides that the *Workplace Relations Regulations 2006* be amended as set out in Schedule 1.

Regulation 4 – Amendment of Workplace Relations Regulations 2006

This regulation provides that the *Workplace Relations Regulations 2006* (the Principal Regulations) be amended as set out in Schedule 2.

<u>Schedule 1 – Amendments</u>

Part 1 Amendment relating to Wage Agreements and Instruments

Item [101] Chapter 2, subregulation 7.1(3), example

Item [101] inserts a new Example 2 at the end of the note following subregulation 7.1(3) of Chapter 2. Subregulation 7.1(3) enables an employer and employee to agree, under a workplace agreement or written contract of employment, to a period of up to 12 months, within which the wage guarantee in section 182 the Act may be satisfied.

The Standard prevails over a workplace agreement or contract of employment if it is 'more favourable' in a particular respect. The example illustrates how the Standard may be more or less favourable, for an employee who is guaranteed a basic hourly rate of pay, but is paid by commission.

The example illustrates that the employee's total commission earnings over each period (agreed under subregulation 7.1(3)) must be compared with the employee's total guaranteed basic rate of pay for the period. The wages guarantee in the Standard is met (i.e. the Standard is not 'more favourable') if the commission earnings over the relevant period equals or exceeds the total guaranteed amount for the agreed period.

Part 2 Amendments relating to disclosure of information

Item [201] Chapter 2, subregulation 5.1(1)

The amendment made by this item is consequential on the amendment in item [202].

Item [202] Chapter 2, subregulation 5.1(2)

This item repeals subregulation 5.1(2) made under subsection 151(4) of the *Workplace Relations Act 1996* (the Act), which requires the Employment Advocate when performing his functions under paragraph 151(1)(i) of the Act to give Australian Workplace Agreements (AWAs) to the Minister with the deletion or obliteration of the names of the parties to the AWA.

Item [203] Chapter 2, regulation 5.3, heading

This item substitutes a new heading to regulation 5.3, to make the purpose of the regulation clearer for the reader and is consequential upon the amendments in item [204].

Item [204] Chapter 2, after regulation 5.3

This item inserts new regulations 5.4 and 5.5 under paragraph 165(1)(e) of the Act, which provide for additional circumstances in which protected information may be disclosed.

5.4 Identity of parties to AWAs not to be disclosed – exception relating to court proceedings initiated by a workplace inspector

New Regulation 5.4 permits disclosure by a person (a workplace agreement official or a person who has obtained the protected information from a workplace agreement official) of protected information that the person knows, or has reasonable grounds to believe, will identify another person as being, or having been, a party to an AWA, in circumstances where a proceeding is initiated by a workplace inspector and the protected information relates to the proceeding.

This allows disclosure of the names of parties to an AWA where court proceedings are instituted against them by workplace inspectors for breaches of the provisions of the Act or the Principal Regulations.

5.5 Identity of parties to AWAs not to be disclosed – exception relating to information in public domain

New Regulation 5.5 permits disclosure by a person (a workplace agreement official or a person who has obtained the protected information from a workplace agreement official) of protected information that the person knows, or has reasonable grounds to believe, will identify another person as being, or having been, a party to an AWA, in circumstances where the information is already in the public domain.

However, it does not permit such a disclosure if the protected information is already in the public domain by virtue of a breach of the Act or Principal Regulations; for example, where the information has been disclosed contrary to section 165 of the Act.

[205] Chapter 2, regulation 6.6

This item repeals and replaces regulation 6.6.

New regulation 6.6 provides that a workplace inspector may disclose to the Minister with responsibility for workplace relations, the Secretary of the Department administering the Act, or an SES employee or APS employee performing duties in the Department any information acquired by the workplace inspector in the course of exercising powers, or performing functions, as a workplace inspector for the purpose of providing assistance or advice to that person in relation to the rights and obligations of an employer, an employee or a registered organisation under the Act or the Principal Regulations.

This regulation assists workplace inspectors in their compliance role and assists employers, employees and unions to comply with their rights and obligations under the Act and Principal Regulations.

New regulation 6.6 also provides that workplace inspectors may disclose to the Minister with responsibility for workplace relations, the Secretary of the Department administering the Act, or an SES employee or APS employee performing duties in the Department any information acquired by the workplace inspector in the course of exercising powers, or performing functions, as a workplace inspector if the information is already in the public domain.

However, it does not permit such a disclosure if the protected information is already in the public domain by virtue of a breach of the Act or Principal Regulations; for example, where the information has been disclosed contrary to section 165 of the Act.

<u>Part 3 – Amendments relating to entitlement to transfer to a safe job or to take paid leave</u>

Item [301] – Chapter 3, paragraph 7.3(1)(b)

Item [302] – Chapter 3, paragraph 7.10(1)(b)

These items make a minor amendment to paragraphs 7.3(1)(b) and 7.10(1)(b) of Chapter 3 by replacing the words 'paid leave under subparagraph 268(2)(b)(i) or (ii)' with the words 'the entitlement under section 268 to transfer to a safe job or to take paid leave'.

Terms about parental leave (as well as those about annual leave and personal/carer's leave) are preserved terms in transitional awards that bind Victorian employers and employees. Preserved transitional award entitlements continue to apply if they provide an employee with a more generous amount of leave than the Standard.

Regulations can be made under subclauses 77(3) and 97(4) of Schedule 6 to the Act to exclude certain specified entitlements under the Standard from the 'more generous' comparison with preserved award terms. Where such regulations are made, these entitlements under the Standard apply irrespective of the outcome of the more generous test.

One of the entitlements in respect of which such regulations can be (and have been) made is the entitlement under section 268 of the Act to be transferred to a safe job, or to take paid leave if a safe job is not practicable.

- Under the Standard, a pregnant employee is entitled to be transferred to a safe job if she provides her employer with a medicate certificate stating that she is fit to work but is unable to continue in her present position because of illness or risks arising out of the pregnancy (section 268).
- If transferring the employee to a safe job is not reasonably practicable, the employee is entitled to paid leave during the period she is unable to continue in her present position as stated in the medical certificate, or until the date of birth (whichever is earlier).

As previously drafted, paragraphs 7.3(1)(b) and 7.10(1)(b) only referred to the entitlement to paid leave where transfer to a safe job was not practicable, but did not refer to the right to be transferred to a safe job. This amendment was necessary to clarify the scope of the 'transfer to a safe job' entitlement, consistent with the regulation-making power in the Act (which was previously amended to enable revisions to these regulations to correct this anomaly).

Schedule 2 – Further amendments relating to leave entitlements

Item [1] – Chapter 2, paragraph 7.1(6)(da)

Item [2] – Chapter 2, subregulations 7.1(11A) and (11B)

Item [3] – Chapter 2, subregulations 7.1(11F)

Items [1], [2] and [3] make a number of amendments to the 'more favourable' regulations in Part 7 of Chapter 2 relating to the cashing out of personal/carer's leave.

The Australian Fair Pay and Conditions Standard (the Standard) prevails over workplace agreements made after the commencement of amendments to the *Workplace Relations Act 1996* (the Act) made by the *Workplace Relations Amendment (Work Choices) Act 2005* (27 March 2006), or contracts of employment, to the extent that it provides a more favourable outcome in a particular respect (subsection 172(2)). Subsection 172(4) provides for the making of regulations that prescribe circumstances in which the Standard provides or does not provide a more favourable outcome in a particular respect. Subregulation 7.1(6) of Chapter 2 provides that the types of paid and unpaid leave provided for in the Standard are each a particular respect for the purpose of subsection 172(2) of the Act.

Under previous amendments to the Act, an employee could request to cash out an amount of paid personal/carer's leave, provided that a minimum balance remained available after cashing out (section 245A). This 'protected amount' of paid personal/carer's leave was equivalent to 15 days for full time employees (pro-rata for part-time employees).

Item [2] repeals subregulations 7.1(11A) and (11B) of Chapter 2 of the Principal Regulations. This amendment was necessary as subregulations 7.1(11A) and (11B) restricted the cashing out of personal/carer's leave to amounts in excess of the minimum entitlement under the Standard, and were inconsistent with the new provisions under the Act for the cashing out of personal/carer's leave.

Item [3] amends subregulation 7.1(11F) by deleting the words 'paid personal/carer's leave.' Subregulation 7.1(11F) previously had the effect that an employee could only cash out personal/carer's leave or compassionate leave by written election. This requirement (as it related to personal/carer' leave) was no longer necessary in the Principal Regulations, as it is included in the conditions for cashing out of personal/carer's leave that are now set out in section 245A of the Act.

Item [1] is a minor technical amendment consequential on items [2] and [3]. This item amends the application of paragraph 7.1(6)(da) by removing references to subregulations 7.1(11A), (11B) and (11F). These references were no longer necessary.

Item [4] – Regulation 7.7A, including the notes

This item repeals and replaces regulation 7.7A of Chapter 2 to amend the formula for calculating the annual leave payment rate for piece rate employees.

Subsection 235(1) of the Act provides that an employee on annual leave is entitled to be paid for each hour (or part hour) of leave taken at his or her *basic periodic rate of pay* expressed as an hourly rate (reflecting the fact that this is how annual leave accrues under the Standard).

Section 231 of the Act enables the regulations to prescribe a different definition of *basic periodic rate of pay* for piece rate employees. This is necessary to ensure that employees who are paid on a piece rate basis receive an appropriate rate of pay while taking annual leave.

• A piece rate employee is an employee who is paid a piece rate of pay (as defined in section 178) – for example, on the basis of commission only.

Regulation 7.7A (made under section 231) provided a mechanism to calculate the annual leave payment rate for piece rate employees, by dividing a piece rate employee's total earnings by the employee's total *nominal hours worked* over the previous 12 month period (or a lesser period for employees who have worked for less than 12 months).

• Under the Act, an employee is entitled to accrue annual leave on the basis of 1/13 of the employee's *nominal hours worked* for each four week period of continuous service (subsection 232(2)).

• For employees who are engaged to work a specified number of hours per week, *nominal hours worked* equals the specified hours less hours of leave that do not count as service and/or hours of industrial action.

This item amends regulation 7.7A to ensure that a piece rate employee's basic periodic rate of pay is based on the employee's total hours worked, rather than their nominal hours worked.

This amendment is consequential on previous amendments to the Act that capped the accrual of annual leave so that leave does not accrue in respect of hours worked above 38 hours per week, and was necessary to ensure that a piece rate employee's payment rate for annual leave reflects his or her rate of output.

Item [5] – Chapter 2, after regulation 7.8

7.9 Piece rate employees - basic periodic rate of pay

This item inserts a new regulation 7.9 in Chapter 2, to provide a formula for calculating the rate at which a piece rate employee is to be paid when a period of personal/carer's leave is taken or cashed out under the Standard.

• A *piece rate employee* is an employee who is paid a piece rate of pay (as defined in section 178) – for example, on the basis of commission only.

Section 247 of the Act was previously amended to provide that an employee on personal/carer's leave was entitled to be paid for each hour (or part hour) of leave taken at his or her *basic periodic rate of pay* expressed as an hourly rate, immediately before the period began (consistent with the payment rule for annual leave).

• This amendment changed the previous payment rule, which provided for an employee who takes paid personal/carer's leave to be paid at the rate the employee would reasonably have expected to be paid had the employee worked during the period of leave.

As a result of this amendment, section 243 of the Act was amended to provide for regulations to prescribe a different definition of *basic periodic rate of pay* for piece rate employees.

New regulation 7.9 sets out a formula that converts an employee's output-based piece rate of pay into an hourly basic periodic rate of pay, by dividing the employee's total piece rate earnings by the total hours worked over the relevant period (the previous 12 month period, or a lesser period for employees who have worked for less than 12 months).

This item has the same effect in relation to personal/carer's leave as items [4] and [6] have in relation to annual leave and leave in lieu of transfer to a safe job.

Item [6] – Chapter 2, Part 7, after Division 5

7.10 Piece rate employees - basic periodic rate of pay

This item inserts a new regulation 7.10 in Chapter 2, to provide a formula for calculating the rate at which a pregnant piece rate employee is to be paid when the employee takes a period of leave in lieu of transfer to a safe job under section 268 of the Act.

• A piece rate employee is an employee who is paid a piece rate of pay (as defined in section 178) – for example, on the basis of commission only.

Subsection 268(3) of the Act was previously amended to provide that a pregnant employee on leave in lieu of transfer to a safe job was entitled to be paid for each hour (or part hour) of leave taken at her *basic periodic rate of pay* expressed as an hourly rate, immediately before the period began (consistent with the payment rule for annual leave).

This amendment changed the previous payment rule, which provided for an
employee who takes this form of leave to be paid at the rate the employee would
reasonably have expected to be paid had the employee worked during the period
of leave.

As a result of this amendment, a new section 264A was inserted in the Act to provide for regulations to prescribe a different definition of *basic periodic rate of pay* for piece rate employees.

New regulation 7.10 sets out a formula that converts an employee's output-based piece rate of pay into an hourly basic periodic rate of pay, by dividing the employee's total piece rate earnings by the total hours worked over the relevant period (the previous 12 month period, or a lesser period for employees who have worked for less than 12 months).

This item has the same effect in relation to leave in lieu of transfer to a safe job as items [4] and [5] have in relation to annual leave and personal/carer's leave.

Item [7] – Chapter 2, paragraph 8.5(1)(1)

Item [8] – Chapter 2, paragraph 8.5(1)(l)

Item [9] – Chapter 2, after paragraph 8.5(1)(l)

Items [7], [8] and [9] make minor amendments to regulation 8.5 of Chapter 2 relating to the cashing out of personal/carer's and compassionate leave.

 Regulation 8.5 provides that various matters are prohibited content in workplace agreements. Section 358 of the Act provides that a term of a workplace agreement is void to the extent that it contains prohibited content. The Act was previously amended to enable an employee to request to cash out an amount of paid personal/carer's leave, provided that a minimum balance remained available after cashing out (section 245A). This 'protected amount' of paid personal/carer's leave was equivalent to 15 days for full time employees (pro-rata for part-time employees). The Act provides that an employer must not require or force an employee to cash out an amount of personal/carer's leave.

Item [9] inserts a new paragraph 8.5(1)(m). This paragraph provides that a term of an agreement is prohibited content to the extent that it deals with the forgoing of paid personal/carer's leave for an amount of pay or other benefit otherwise than at the written election of the employee. The effect is that an employee cannot be required under a workplace agreement to cash out personal/carer's leave — cashing out in this way can only occur by the employee giving a separate written election.

• The Principal Regulations already contain an equivalent prohibition relating to the cashing out of annual leave (8.5(1)(j)).

Items [7] and [8] are consequential on item [9].

Item [7] amends paragraph 8.5(1)(l) by deleting the reference to 'paid personal/carer's leave'.

This amendment is consequential on the amendments made by items [1], [2] and [3], which remove restrictions in the Principal Regulations on cashing out of personal/carer's leave, following previous amendments to the Act.

Paragraph 8.5(1)(1) remains in place insofar as it relates to the forgoing of paid compassionate leave – to ensure that a term of a workplace agreement is prohibited content to the extent that it permits forgoing of such leave other than in a manner that would result in a more favourable outcome than the Standard (as set out in subregulations 7.1(11D), (11E) and (11F)).

Item [8] makes a minor technical amendment to the formatting in paragraph 8.1(1)(l) (reflecting the insertion of new paragraph 8.5(1)(m) by item [9]).

Item [10] – Chapter 2, paragraph 21.3(6)(da)

Item [11] – Chapter 2, subregulations 21.3(11A) and (11B)

Item [12] – Chapter 2, subregulation 21.3(11F)

These items make a number of amendments to the 'more favourable' regulations in Part 21 of Chapter 2 relating to the cashing out of personal/carer's leave. These amendments to the Principal Regulations were necessary following previous amendments to the Act that enabled an employee to request to cash out an amount of paid personal/carer's leave, provided that a minimum balance remained available after cashing out (section 245A). This 'protected amount' of paid personal/carer's leave is equivalent to 15 days for full time employees (pro-rata for part-time employees).

These amendments have the same effect in relation to Victorian employees bound by an employment agreement (under Part 2 of the former *Employee Relations Act 1992* of Victoria) as items [1], [2], and [3] have in relation to employees within the meaning of subsection 5(1) of the Act.

Victorian employment agreements entered into before 1 January 1997 continue in force under Division 12 of Part 21 of the Act. Subsection 896(2) of the Act provides that the Standard prevails over an employment agreement to the extent that it provides a more favourable outcome in a particular respect.

Item [13] – Chapter 7, subregulation 2.23A(2)

Item [13] makes a minor technical amendment to regulation 2.23A, consequential on items [7] and [9].

Regulation 2.23A makes it clear that the Standard does not apply in relation to personal/carer's leave or compassionate leave entitlements that accrued before the Standard applied to the employee.

- Subregulation 2.23A(2) previously provided that a term of a workplace agreement that allowed for the cashing out of personal/carer's leave or compassionate leave that accrued before reform commencement was not prohibited content under paragraph 8.5(1)(1) of the regulations.
- Paragraph 8.5(1)(1) previously provided that a term of a workplace agreement was prohibited content to the extent that it dealt with the forgoing of paid personal/carer's leave or paid compassionate leave for an amount of pay or other benefit.

Item [7] amends paragraph 8.5(1)(1) by deleting the reference to 'paid personal/carer's leave.' Paragraph 8.5(1)(1) remains in place insofar as it relates to the forgoing of paid compassionate leave.

Item [9] inserts a new paragraph 8.5(1)(m), which provides that a term of an agreement is prohibited content to the extent that it deals with the forgoing of paid personal/carer's leave for an amount of pay or other benefit, otherwise than at the written election of the employee. This is consistent with amendments to the Act that enable the cashing out of personal/carer's leave, subject to certain conditions.

Consequential on items [7] and [9], item [13] amends subregulation 2.23A(2) by inserting a reference to the new paragraph 8.5(1)(m).