OUTLINE

On 22 June 2012, Fair Work Australia handed down its first equal remuneration order, providing significant pay rises to Australia’s social and community services sector workers.

Workers in this sector carry out a wide range of challenging jobs, including counsellling families in crisis, running homeless shelters, and working with people with disability and victims of domestic violence or sexual assault.

The order delivers pay rises, ranging from 23 per cent to 45 per cent, to around 150,000 low-paid workers in the sector, predominantly women. The increases are to be phased in over eight years, in nine equal instalments from 1 December 2012 to 1 December 2020.

The Social and Community Services Pay Equity Special Account Bill 2012 will establish a Special Account under section 21 of the Financial Management and Accountability Act 1997 to underpin the Commonwealth contribution to these pay rises for social and community services sector workers in Commonwealth-funded programs, including programs funded under agreements with and payments to States and Territories, such as National Partnership Payments and National Specific Purpose Payments.

The Commonwealth supplementation will be delivered through funding drawn from the Special Account by eight Commonwealth agencies, and paid to assist employers who are directly or indirectly funded by the Commonwealth for the purposes of a program prescribed under the new legislation and who are required to make payments to their employees under the pay equity arrangements.

The Social and Community Services Pay Equity Special Account (Consequential Amendments) Bill 2012 will make a consequential amendment to the COAG Reform Fund Act 2008 in relation to supplementation for programs funded under agreements with and payments to States and Territories, such as National Partnership Payments and National Specific Purpose Payments.

Financial impact statement

The total Commonwealth supplementation is expected to be limited to costs of around $3 billion phased in over eight years, in nine equal instalments from 1 December 2012 to 1 December 2020.

STATEMENT OF COMPATIBILITY WITH HUMAN RIGHTS

The statement of compatibility with human rights appears at the end of this explanatory memorandum.
Abbreviations used in this explanatory memorandum

- **The Account** means, unless otherwise specified, the Social and Community Services Pay Equity Special Account as established by this Act.

- **COAG Reform Fund** means the COAG Reform Fund established by the *COAG Reform Fund Act 2008*.

- **The Special Account Bill** means the Social and Community Services Pay Equity Special Account Bill 2012.

- **The Consequential Amendments Bill** means the Social and Community Services Pay Equity Special Account (Consequential Amendments) Bill 2012.

- **Final Fair Work Australia Order** means the *Social, Community and Disability Services Industry Equal Remuneration Order 2012* made by Fair Work Australia on 22 June 2012.

- **The Minister** is the Minister responsible for administering the Social and Community Services Pay Equity Special Account Bill 2012.

- **The Modern Award** means the Social, Community, Home Care and Disability Services Industry Award 2010.

- **The Queensland Award** means the Queensland Community Services and Crisis Assistance Award – State.

- **Pay equity orders** means the Social, Community and Disability Services Industry Equal Remuneration Order 2012 (‘the Final Fair Work Australia Order’) and the transitional pay equity order (Queensland), as defined in the Bill.
Summary

The Special Account Bill establishes the Social and Community Services Pay Equity Special Account under section 21 of the *Financial Management and Accountability Act 1997*. The Account will be used to fund the Commonwealth share of pay increases provided by the pay equity orders by way of additional funding to Commonwealth programs, including those funded through the States and Territories.

The CONSEQUENTIAL Amendments Bill makes a relevant amendment to the *COAG Reform Fund Act 2008*.

Background

*The Queensland Industrial Relations Commission decision*

On 6 May 2009, the Queensland Industrial Relations Commission awarded significant pay increases to the social and community services sector under the Queensland Community Services and Crisis Assistance Award – State. The Queensland Industrial Relations Commission ruled that the work of the Queensland social and community services sector was undervalued, and awarded wage increases of between 18 and 37 per cent, phased in over a three-year period from July 2009.

On 11 November 2009, the Queensland Parliament passed the *Fair Work (Commonwealth Powers) and Other Provisions Act 2009* (Qld). This Act referred the State’s industrial relations powers over the private sector to the Commonwealth from 1 January 2010. As a result of this referral of power, Queensland social and community services sector employers and their employees who were covered by the Queensland Industrial Relations Commission order were subject to the *Fair Work Act 2009* from 1 January 2010.

In the transition to the Commonwealth, the Queensland Industrial Relations Commission order was preserved in the order taken to have been made on 1 January 2010 by Fair Work Australia under item 30A of Schedule 3A to the *Fair Work (Transitional Provisions and Consequential Amendments) Act 2009*. An Order was also taken to have been made on 27 March 2011 by Fair Work Australia under item 43 of Schedule 3 to the *Fair Work (Transitional Provisions and Consequential Amendments) Act 2009*.

*The Fair Work Australia decision*

Following the Queensland Industrial Relations Commission decision, the Australian Services Union applied to Fair Work Australia for an equal remuneration order under Part 2-7 of the *Fair Work Act 2009* for the social and community services sector. The Government provided a joint submission to Fair Work Australia on 17 November 2011, committing to fund its share of any pay increases.
On 1 February 2012, Fair Work Australia determined the equal remuneration case in favour of the Australian Services Union, awarding pay increases of between 19 and 41 per cent over eight years. These pay increases take effect from 1 December 2012 to 1 December 2020. Fair Work Australia ordered a further four per cent loading over nine equal instalments.

Fair Work Australia made the final Social, Community and Disability Services Industry Equal Remuneration Order 2012 on 22 June 2012. The order finalised equal remuneration increases of between 23 and 45 per cent.

The Fair Work Australia equal remuneration decision is limited to workers covered by Schedule B (Social and Community Services Employees) and Schedule C (Crisis Accommodation Employees) of the Modern Award. This includes workers who undertake social, recreation, welfare, youth or community development work. It also includes the provision of home care services to people with disability in private residences.

**Social and Community Services Pay Equity Special Account**

The Special Account Bill gives effect to the Government’s commitment to fund its share of pay increases to social and community services sector workers. The Special Account Bill further recognises the Government’s ongoing commitment to equal remuneration.

The establishment of the Social and Community Services Pay Equity Special Account recognises the Government’s commitment to the social and community services sector and its intention to provide supplementation, consistent with the pay equity orders, over the full nine financial years. The Account is established as a Special Account for the purposes of section 21 of the *Financial Management and Accountability Act 1997*.

The Account will be credited annually with the amounts specified in the Special Account Bill. This is consistent with the Government’s commitment to provide assistance throughout the pay equity order phase-in period.

The Special Account Bill ensures that employers will be assisted to meet the cost of payments required to be made as a result of the pay equity orders, provided that the employers are covered by a pay equity order and that they receive Commonwealth funding under a specified program.

An additional mechanism has also been included to ensure that assistance is provided to employers who are covered by a pay equity order and who receive Commonwealth funding on a fee-for-service basis.

**Programs**

The Commonwealth supplementation will be provided by way of additional funding for programs, pursuant to varied or new funding agreements with relevant employers.
Section 32B of the *Financial Management and Accountability Act 1997* provides legislative authority for expenditure for the purposes of most of these programs. These programs are listed in Schedule 1AA to the *Financial Management and Accountability Regulations 1997*. Other legislation provides this authority in relation to the other programs (as indicated in Part 2 of each of Schedules 1 and 2 to the Special Account Bill).

These programs are administered by seven agencies. In practice, it is envisaged that drawing rights would be issued to relevant agencies, authorising the payment of money debited from the Account (for the purposes of paragraph 26(a) of the *Financial Management and Accountability Act 1997*).

**Payments to State and Territory Governments**

The Government’s commitment to fund its share of pay increases resulting from the pay equity orders extends to programs funded through the States and Territories.

To ensure that these employers also receive assistance to meet the cost of payments required as a result of the pay equity orders, the Special Account Bill provides for funds to be transferred from the Account to the COAG Reform Fund. These funds will then be paid to the States and Territories, consistent with the purposes of the Special Account Bill.

To enable the crediting of the COAG Reform Fund, a minor amendment to the *COAG Reform Fund Act 2008* is set out in the Consequential Amendments Bill.

**Queensland**

The Special Account Bill gives effect to the Government’s commitment to fund its share of pay increases under the Queensland Industrial Relations Commission order, as well as under the final Fair Work Australia Order.

The Bill specifically ensures that employers captured by the transitional pay equity order (Queensland) are assisted to pay the preserved rates.

**Sunset**

The final Fair Work Australia Order provided pay increases over eight years in nine equal instalments from 1 December 2012 to 1 December 2020. Consistent with the order, the Bill will sunset on 30 June 2021. At this point, the Account will cease to exist.
Part 1 – Preliminary

Summary

Part 1 provides the formal matters in relation to the Special Account Bill, a simplified outline and definition provisions.

Explanation of the clauses

Clause 1 – Short title

Clause 1 sets out how the new Act is to be cited, that is, as the Social and Community Services Pay Equity Special Account Act 2012.

Clause 2 – Commencement

Clause 2 provides that the new Act will commence on the day it receives Royal Assent.

Clause 3 – Simplified outline

Clause 3 provides an outline of the new Act.

Clause 4 – Definitions

Clause 4 defines certain terms that are used in the new Act. In this explanatory memorandum, the defined terms will be addressed in the context in which they appear.
Part 2 – Social and Community Services Pay Equity Special Account

Summary

Part 2 concerns the establishment of the Social and Community Services Pay Equity Special Account.

Explanation of the clauses

Clause 5 – Social and Community Services Pay Equity Special Account

Clause 5 establishes the Social and Community Services Pay Equity Special Account.

Subclause 5(2) clarifies that the Social and Community Services Pay Equity Special Account is a Special Account for the purposes of section 21 of the Financial Management and Accountability Act 1997.

Clause 6 – Credits to the Account

Clause 6 details how the Account will be credited.

Subclause 6(1) provides for the Account to be credited annually. The table set out in subclause 6(1) specifies the dates on which, and amounts by which, the Account will be credited.

The amounts to be credited to the Account each year, over nine financial years, reflect the requirements of the pay equity orders.

The amounts to be credited and the dates on which they will be credited have been specified in the Special Account Bill to ensure that the crediting of the Account is both transparent and certain. This is consistent with the Government’s commitment to meet its share of the cost of the pay equity orders throughout the phase-in period.

Clause 7 – Purposes of the Account

Clause 7 provides the purposes of the Account.

Subclause 7(1) clarifies that clause 7 details the two purposes of the Account.

Subclause 7(2) provides that the primary purpose of the Account is to assist employers:

- who are covered by a pay equity order or to whom a pay equity order applies (as defined in clause 4); and
who receive funding, directly or indirectly, from the Commonwealth for the purposes of a program specified in Schedule 1 to the Special Account Bill (including that Schedule as modified by an instrument under subclause 7(4)).

Funds from the Account are to be provided to employers to meet the cost of payments required to be made as a result of the pay equity orders.

**Pay equity order** is defined in clause 4 as the Social, Community and Disability Services Industry Equal Remuneration Order or a transitional pay equity order (Queensland).

The **Social, Community and Disability Services Industry Equal Remuneration Order** is defined in clause 4 as the ‘Social, Community and Disability Services Industry Equal Remuneration Order’ made by Fair Work Australia on 22 June 2012 under section 302 of the *Fair Work Act 2009*.

The **transitional pay equity order (Queensland)** is defined in clause 4 as either:

- the order that, under subitem 43(1) of Schedule 3 to the *Fair Work (Transitional Provisions and Consequential Amendments) Act 2009*, is taken to have been made by Fair Work Australia under item 43 of that Schedule on 27 March 2011; or

- the order that, under subitem 30A(1) of Schedule 3A to the *Fair Work (Transitional Provisions and Consequential Amendments) Act 2009*, is taken to have been made by Fair Work Australia under item 30A of that Schedule on 1 January 2010.

Clause 4 further specifies that the second order (made under subitem 30A(1) of Schedule 3A) covers or applies to an employer only if the Division 2B State award referred to in paragraph 30A(2)(a) of Schedule 3A to the *Fair Work (Transitional Provisions and Consequential Amendments) Act 2009* was derived from the Queensland Award.

**Subclause 7(3)** provides the second purpose of the Account, which is to assist employers who are funded on a fee-for-service basis. This enables funds from the Account to be used to provide for any increases to schedules of fees resulting from the pay equity orders. Any other fee increases would not be provided for out of the Account.

Subclause 7(3) requires that, to be in scope, an employer must be receiving fees for services from the Commonwealth and those services must be provided for the purposes of a program specified in Schedule 2 (including that Schedule as modified by an instrument under subclause 7(4)).

A purpose of the Account is to pay some or all of any increase in those fees paid to those employers, to the extent that the increase relates to one or more pay equity orders.
Subclauses 7(4) and 7(5) provide for instruments to be made to modify the list of programs in either Schedule 1 or 2.

Subclause 7(4) provides that the Minister may modify Schedule 1 or 2 by written instrument to do any one or more of the following:

- add an item that specifies a program;
- omit an item that specifies a program;
- omit and substitute an item that specifies a program; or
- vary an item that specifies a program.

Subclause 7(5) clarifies that any written instrument made under subclause 7(4) is a legislative instrument for the purposes of the *Legislative Instruments Act 2003*. Such an instrument is, however, exempt from section 42 (disallowance of legislative instruments). Clause 9 provides for disallowance of legislative instruments made under subclause 7(4).

All of the programs within the scope of clause 7 are listed in Schedules 1 and 2. This approach has been adopted to ensure that Parliament can consider and scrutinise, as part of the principal legislation, the programs under which employers will be able to receive assistance from the Account. Listing the in-scope programs in Schedules to the Special Account Bill provides greater immediate accountability and transparency than having them detailed later in legislative instruments.

There is, however, also a need for flexibility to ensure that the Schedules accurately reflect the programs within the scope of clause 7. A mechanism must be available to enable the Schedules to be updated to reflect common changes, including renaming programs, identification of additional in-scope programs and removal of programs.

Subclause 7(4) has been designed to achieve that flexibility. It ensures that the Schedules accurately reflect the programs within the scope of clause 7. At the same time, any instrument made under subclause 7(4) is subject to the requirements of the *Legislative Instruments Act 2003*, including tabling procedures. The usual disallowance procedures are, however, replaced by clause 9 of the Special Account Bill, which offers rigorous Parliamentary oversight of any proposed changes to the Schedules.

**Clause 8 – COAG Reform Fund**

Clause 8 provides an additional mechanism for delivering funding to affected employers. It provides for funds to be transferred from the Account to the COAG Reform Fund, which will subsequently be transferred to a State or Territory.
This clause ensures that employers who are funded by the Commonwealth through certain agreements and payments receive assistance to meet the cost of payments required by the pay equity orders.

**Subclause 8(1)** provides that the Minister may make a written direction, specifying that an amount is to be debited from the Account and credited to the COAG Reform Fund on a specified day.

**Subclause 8(2)** clarifies that a written direction made by the Minister under subclause 8(1) must be expressed as debiting an amount from the Account and crediting it to the COAG Reform Fund to enable the COAG Reform Fund to be debited for the purpose of making a specified grant of financial assistance to a State or Territory.

**Subclause 8(3)** ensures that a grant specified in subclause 8(2) must be consistent with the purposes of the Account.

The grant of financial assistance specified in subclause 8(2) must be in relation to assisting employers who are covered by a pay equity order or to whom a pay equity order applies (as defined in clause 4).

The employers must also be receiving funding from a State or Territory because of another grant of financial assistance:

- that is to the State or Territory and that is made under an agreement specified in an item in Part 1 of Schedule 3 to the Special Account Bill (including that Schedule as modified by an instrument under subclause 8(7)); or

- that is to the State or Territory under Part 3 of the *Federal Financial Relations Act 2009* and that is a payment specified in Part 2 of Schedule 3 (including that Schedule as modified by an instrument under subclause 8(7)).

Funds from the Account are provided to meet the cost of payments required to be made by the employers as a result of the pay equity orders.

**Subclause 8(4)** clarifies that two or more subclause 8(1) directions can be made in the same document.

**Subclause 8(5)** provides for debits from the COAG Reform Fund. Subclause 8(5) specifies that the Treasurer must ensure that any funds credited to the COAG Reform Fund from the Account are debited for the purposes of making the grant to the State or Territory as soon practicable.
This provision does not require the Treasurer to create new procedures for funds credited to the COAG Reform Fund from the Account. The provision specifies that, as soon as reasonably practical, funds credited to the COAG Reform Fund from the Account need to be transferred to the appropriate State or Territory. It further specifies that any funds credited to the COAG Reform Fund from the Account must be transferred for the purposes of making a grant of financial assistance as envisaged by subclause 8(2).

Subclause 8(6) specifies that a direction made under subclause 8(1) is not a legislative instrument, consistent with section 5 of the Legislative Instruments Act 2003. This is because the direction relates to the transfer of funds from one Special Account to another. This provision is declaring the law to assist readers, and is not specifying a new exemption to the Legislative Instruments Act 2003.

Subclauses 8(7) and 8(8) provide for instruments to be made to modify Schedule 3.

Subclause 8(7) provides that the Minister may modify Schedule 3 by written instrument to do any one or more of the following:

- add an item that specifies an agreement or payment;
- omit an item that specifies an agreement or payment;
- omit and substitute an item that specifies an agreement or payment; or
- vary an item that specifies an agreement or payment.

Subclause 8(8) clarifies that any written instrument made under subclause 8(7) is a legislative instrument for the purposes of the Legislative Instruments Act 2003. Such an instrument is, however, exempt from section 42 (disallowance of legislative instruments). Instead, clause 9 provides for disallowance of legislative instruments made under subclause 8(7).

All of the grants of financial assistance within the scope of clause 8 are listed in Schedule 3. This approach has been adopted to ensure that Parliament can consider and scrutinise, as part of the principal legislation, the grants of financial assistance in relation to which the Account will provide assistance to meet the costs of the pay equity order. Listing the in-scope grants of financial assistance in a Schedule to the Special Account Bill provides greater immediate accountability and transparency than having them detailed later in legislative instruments.
There is, however, also a need for flexibility to ensure that Schedule 3 accurately reflects the grants of financial assistance within the scope of clause 8. A mechanism must be available to enable the Schedules to be updated to reflect the creation of or variation to Agreements or Payments. It is also important to ensure that the approach to modifying Schedules is consistent throughout the Special Account Bill.

Subclause 8(7) has been designed to achieve that flexibility. It ensures that Schedule 3 will accurately reflect the grants of financial assistance within the scope of clause 8. At the same time, any instrument made under subclause 8(7) is subject to the requirements of the Legislative Instruments Act 2003, including tabling procedures. The usual disallowance procedures are, however, replaced by clause 9 of the Special Account Bill, which offers rigorous Parliamentary oversight of any proposed changes to the Schedule.
Part 3 – Other matters

Summary

Part 3 concerns the disallowance of instruments and the sunset of the new Act.

Explanation of the clauses

Clause 9 – Disallowance of instruments

Clause 9 provides for the disallowance of instruments made under the new Act.

Subclause 9(1) specifies that this clause applies to instruments made under subclause 7(4) or subclause 8(7).

Subclause 9(2) provides for the disallowance of an instrument made under subclause 7(4) or subclause 8(7).

Subclause 9(2) specifies that, in the five sitting days after an instrument is tabled under section 38 of the Legislative Instruments Act 2003, either House may, following a motion on notice, pass a resolution of disallowance.

Subclause 9(3) specifies that if a resolution of disallowance is not passed by a House of Parliament by the fifth sitting day, then the instrument takes effect the following day.

Subclause 9(4) provides that, if a House of Parliament passes a resolution of disallowance, the Minister is not prevented from making another instrument under either subclause 7(4) or subclause 8(7).

Clause 9 is designed to provide additional Parliamentary oversight of any proposed changes to the Schedules to the Special Account Bill. Any legislative instrument made under subclause 7(4) or subclause 8(7) will be required to be tabled and remain before the Houses of Parliament for five sitting days before it takes effect. During these five sitting days, Parliament has the opportunity to pass a resolution of disallowance, preventing the proposed change to the Schedule before they take effect.

This provision ensures that Parliament has active oversight of any proposed changes to the Schedules.

Clause 10 – Sunset provision

Clause 10 provides for a sunset provision, under which the new Act will cease to have effect on 30 June 2021.
Schedule 1 – Programs

Summary

Schedule 1 provides an exhaustive list of the programs that are within the scope of subclause 7(2).

Explanation of the clauses

Part 1 – Programs in the Financial Management and Accountability Regulations

Part 1 sets out all the programs that are within the scope of subclause 7(2) and that are listed in Schedule 1AA to the Financial Management and Accountability Regulations 1997.

Part 2 – Other programs

Part 2 sets out all the other programs that are within the scope of subclause 7(2).
Schedule 2 – Programs

Summary

Schedule 2 provides an exhaustive list of the programs that are within the scope of subclause 7(3).

Explanation of the clauses

Part 1 – Programs in the Financial Management and Accountability Regulations

Part 1 sets out all the programs that are within the scope of subclause 7(3) and that are listed in Schedule 1AA to the Financial Management and Accountability Regulations 1997.

Part 2 – Other programs

Part 2 sets out all the other programs that are within the scope of subclause 7(3).
Schedule 3 – Grants of financial assistance

Summary

Schedule 3 provides an exhaustive list of agreements and payments that are within the scope of subclause 8(3).

Explanation of the clauses

Part 1 – Agreements

Part 1 sets out the agreements (or parts thereof) that are within the scope of subclause 8(3), as made under the *COAG Reform Fund Act 2008*.

Part 2 – Payments

Part 2 sets out the Payments that are within the scope of subclause 8(3), as made under the *Federal Financial Relations Act 2009*.
Clause 1 – Short title

Clause 1 sets out how the new Act is to be cited, that is, as the *Social and Community Services Pay Equity Special Account (Consequential Amendments) Act 2012*.

Clause 2 – Commencement

Clause 2 provides a table setting out the commencement dates of the various sections in, and Schedules to, the new Act.

Clause 3 – Schedule(s)

Clause 3 provides that each Act that is specified in a Schedule is amended or repealed as set out in that Schedule.
Schedule 1 – Amendments

Summary

Schedule 1 makes a consequential amendment to the COAG Reform Fund Act 2008.

Explanation of the changes

COAG Reform Fund Act 2008

Item 1 adds a new note to section 5 of the COAG Reform Fund Act 2008. This explains that an amount debited from the Account can be credited to the COAG Reform Fund. Amounts are then able to be transferred to a State or Territory, consistent with clause 8 of the new Social and Community Services Pay Equity Special Account Act 2012.
STATEMENT OF COMPATIBILITY WITH HUMAN RIGHTS

Prepared in accordance with Part 3 of the Human Rights (Parliamentary Scrutiny) Act 2011

Social and Community Services Pay Equity Special Account Bill 2012
Social and Community Services Pay Equity Special Account (Consequential Amendments) Bill 2012

These Bills are compatible with the human rights and freedoms recognised or declared in the international instruments listed in section 3 of the Human Rights (Parliamentary Scrutiny) Act 2011.

Overview of the Bills

On 1 February 2012, Fair Work Australia granted an Equal Remuneration Order to certain workers in the Social and Community Services sector. The equal remuneration order will provide wage increases ranging from 23 per cent to 45 per cent phased-in over nine annual instalments from 1 December 2012 to 1 December 2020.

On 10 November 2011, Prime Minister Gillard announced the Commonwealth would provide over $2 billion to pay its share of wage increases. Commonwealth funds will be administered through a newly created Social and Community Services Pay Equity Special Account. The Special Account will administer the Social and Community Services award funding adjustments for providers of in-scope Commonwealth programs that have been identified as having Social and Community Services workers covered by the Fair Work Australia equal remuneration order.

Human rights implications

These Bills engage and promote the human right, Right to work and rights in work.

Fair Work Australia determined that Social and Community Services industry workers currently receive significantly less remuneration for performing comparable work to public sector employees. Equal remuneration is set out under Article 7 of the International Covenant on Economic, Social and Cultural Rights and includes remuneration which provides all workers, as a minimum, with fair wages and equal remuneration for work of equal value without distinction of any kind – in particular, women being guaranteed conditions of work not inferior to those enjoyed by men, with equal pay for equal work.

The Social and Community Services Pay Equity Special Account will essentially facilitate the administration of funding to affected Commonwealth-funded employers with Social and Community Services workers and enhance transparency to government.

Conclusion

These Bills are compatible with human rights.